

# PERSPECTIVES

Political analysis and commentary from Southern Africa

## THE GLOBAL ECONOMIC CRISIS AND SOUTH AFRICA

### Dear Reader

South Africa officially entered recession in May 2009, its first in 17 years. As the global economic crisis has hit key drivers of growth – trade, investment, mining and manufacturing sectors – South Africa’s economy has been expected to shrink by 2% in 2009. In the first three quarters of this year alone, the economy shed a staggering 959 000 jobs. How the recession in South Africa further develops will depend on the economic performance of its key trading partners such as the United States, the European Union and China. While there is encouraging evidence that the worst impacts of the global downturn could be over, as a number of advanced economies show signs of recovery and certain emerging economies report higher growth rates, the reality of a quick upturn should not be counted on.

In South Africa, like in many other countries across the world, the global economic crisis has spurred government to play a more active role in the national economy. Efforts to counter the crisis have seen the South African government commit to bailouts and maintain extensive stimulus packages, such as the public infrastructure investment programmes. In addition, government established a training layoff scheme as part of its national “framework response” to the global economic crisis. More recently, the imminent release of an Industrial Policy Action Plan was announced. Scheduled for presentation in January, the plan will target certain economic sectors for

relief, while incentivising product innovation in the clothing, vehicle manufacturing and green industries to stimulate job creation.

However, the implementation of even the actions articulated in the “national framework response” has been slow and it has already become apparent that it is especially the poor who are most vulnerable to the economic storm. Extreme levels of unemployment have long characterised South Africa’s economy, and so it is clear that the recession’s impact will be to escalate poverty and inequality – both issues with major implications for the consolidation of the country’s democracy.

This issue of *Perspectives* discusses the implications of the global economic crisis for South Africa, and analyses the government’s responses in relation to social justice, gender equity and sustainable development principles.

Introducing the relationship between the state and national economy, political commentator and head of the Living Planet Unit at the World Wildlife Fund South Africa, Saliem Fakir, discusses the challenges of a more activist role for the state in South Africa’s economy. In the context of now exacerbated levels of unemployment and inequality Fakir argues for greater state involvement in the country’s industrial development.

In the second article, Isobel Frye, director of the Studies in Poverty and Inequality Institute, analyses the South African government’s response to the

crisis. Arguing that a crisis in South Africa existed long before the global downturn, Frye offers some recommendations as to how the state can ensure that any economic rebound addresses the needs of the poor and vulnerable.

It is important, however, to recognise that the financial downturn intersects with another global crisis: environmental concerns need to be addressed if the disastrous impacts of climate change are to be halted. Regrettably, countries that have utilised their stimulus packages to encourage growth in green industries remain few. With its economy heavily reliant on carbon-heavy, low-priced coal energy, and facing critical electricity supply shortages, solving power supply challenges should be at the heart of South Africa's growth and development policy. While concrete steps are yet to be taken, in late October 2009 Economic Development Minister Ebrahim Patel told media that a ministerial team was considering how to create more green jobs. In their article Prof James Blignaut and Leandri van der Elst offer a reflection on what the basic ingredients of an inclusive economic development package could be that would redirect South Africa's economy on a sustainable development path.

In the final article, Fatima Shabodien, executive director of the Women on Farms Project, looks at global economic crisis from the perspective of women farmworkers. Ironically, while the provision of labour rights has expanded, since 1994 the working and living conditions of farmworkers have deteriorated as a result of the liberalisation of the agricultural sector in South Africa. Trends such as the casualisation and feminisation of labour, or evictions of workers from farms, concludes Shabodien, are likely to be accelerated by the economic downturn, further deepening the livelihood crisis faced by the farmworker community in general, and women in particular.

We hope that the collection of views gathered here will contribute to debate and reflection on both the threats and opportunities the global crisis holds for Southern Africa's most important economy.

Paula Assubuji  
Acting Regional Director

Jochen Luckscheiter  
International Politics & Dialogue Programme Manager

## Biography

### Saliem Fakir

Saliem is the head of the Living Planet Unit at the World Wildlife Fund South Africa. The unit's work is focused on identifying ways to manage a transition to a low-carbon economy. From 2007–2008, Saliem was a senior lecturer at the Department of Public Administration and Planning and associate director for the Centre for Renewable and Sustainable Energy at the University of Stellenbosch.

Prior to that, he worked for Lereko Energy (Pty) Ltd (2006), an investment company focusing on project development and financial arrangements for renewable energy, bio fuels, waste and water sectors. He also served as director of the World Conservation Union South Africa (IUCN-SA) office (1998-2005). Saliem is a columnist for the South African Centre for Civil Society, where he writes regular columns on a range of issues. Saliem's qualifications include a B.Sc Honours in Molecular Biology from WITS, a Master's in Environmental Science from Wye College London, and the completion of a senior executive management course at Harvard University.



# Caught between a rock and hard place

## The state of play for South Africa's beleaguered development state

### A brief introduction to the politics

The post-Polokwane period heralded a new era for the ANC. It hasn't been called as such but an internal coup and revolution did take place.

for many it brought fears of political and economic uncertainty. Zuma had the taint of corruption tagged upon him long before he got elected as president.

The pre-Polokwane era had a distinct etch on the framing of the economy and the Zuma era was expected to take a left turn. However, any concrete evidence of this is still to be seen.

Zuma's rise to power was facilitated through concerted support from the ANC's left-leaning alliance partners – the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU).

They got the man they wanted into power and as a reward a few of their people were placed in the presidential cabinet. But they had only won the political battle, not the economic one.

From afar, the economy goes on as before, embedded firmly in the idea that the markets should be left to do their thing.

Not even Gucci clad, Julius Malema, the ANC Youth League leader (and unwavering supporter of Zuma), calling noisily for the nationalisation of the mines has been able to shift ANC policy.

If anything, economic policy is as centrist as before, or worse, and, most ominously, the global financial crisis has brought about an interregnum in economic policy thinking.

This despite the fact that the Zuma era comes with a greater emphasis for a developmental state and more intervention within the economy.

All the talk of budget restraint and deficits is forcing a movement to the centre rather than the left. It has become a useful excuse to beat leftist tendencies from within the alliance partners. One can always revert to the status quo by saying prudence is needed in the face of a global financial meltdown.

Nonetheless, there is no real policy that one can distinctly point to for South Africa – a point which will be discussed in further detail later.

### **Dilemmas in the South African economy**

The financial crisis has exposed our vulnerabilities to the global markets and that 15 years of democracy has not fundamentally shifted the nature of economic power. Private capital still dominates, and happens to be mostly white owned.

The state is not short of resources, at least not to the extent that it has to go the IMF and World Bank for help. It has had a successful tax revenue stream, although admittedly this has come under strain. The most recent budget speech (27/10/2009) given by the Minister of Finance, Pravin Gordhan, shows we will have to run government on deficit spending for the next four years.

However, we have not done such bad banking deals, like Iceland or Ireland, that we require international financial institutions to rescue our economy, and we have no seeming financial peril as far as the banking sector goes.

On this score we are on safe ground. There are, though, deep structural problems with our economy that makes the shift from high growth to high redistribution a challenging prospect.

The high growth paradigm founded on macroeconomic stability and private sector led growth has not reduced South Africa's poverty and unemployment rates since 1994. But securing a future requires building it from the bosom of the present, and this is where the messiness begins.

The treasury estimates that there will be, for this year, a 70-billion-rand shortfall in tax revenues. This only compounds our problems as this must be coupled with a massive shrinking in the manufacturing and mining sectors due to a loss of exports.

Pravin Gordhan predicts South Africa's economy will, for the first time, show a negative growth rate of -2%.

Despite the country's big public spending programme – with an estimated R780 billion on infrastructure – the budget deficit could rise above 8% in the 2009–10 financial year, from the current 3,2% deficit, owing to the drop in revenue combined with the global recession.

### **The ANC's solution: the developmental state**

The idea of a developmental state – which the ANC has long debated – surfaced through ANC patchwork

of Polokwane resolutions and promised a new economic era. The developmental state, as vague as the idea still is, has rough sketches here and there. But it implies, in general a more activist role for the state in the economy.

The progressive role the state can play is an intrinsic part of the ANC's National Democratic Revolution (NDR) – and key to attaining both control over the “commanding heights of the economy” and meeting the objectives of the NDR.

The ANC has always recognised that gaining power over the economy is the only way in which its political vision will manifest, but it has never quite achieved this alignment. The past five years of steady growth, close to 5%, was an illusion of prosperity that has come unstuck as a result of the global meltdown.

For the ANC, there is no point in having political power when the power to allocate resources is held at ransom to economic forces that are not always attuned to the needs and objectives of the NDR.

This sums up precisely the ANC's dilemma as it has not really won control over the economy and some have even suggested that it has handed more and more of the economy to those very forces that seek to undermine its political power and hegemony.

### **The developmental state vs the neo-liberal tract**

Remember that the left within the ANC had long argued that the “Class of 1996” project, as they dubbed it, needed to be turned on its head. The Class of 1996 was a reference to what they see as the Mbeki era's neo-liberal policies as framed under the Growth, Employment and Redistribution Programme (GEAR).

GEAR's main role was to ensure macroeconomic stability; reduce currency volatility; inflation target; bring about black economic empowerment to shift ownership of capital from white hands to black hands; ensure that private capital continued to see South Africa as a safe haven for investment; and make profits.

The calculation was – and perhaps it has its merits – that once the ANC has had control over the state it would be in the position to mobilise state resources, and have access to various levers within the state machinery to transform the economy into the sort of mixed economy where an organic balance existed between state measures for capital accumulation against private forces of capital accumulation.

It would at best create a stalemate or shift power in favour of its NDR goals.

All of these macro-policy instruments have come under attack, before and after Zuma came into power.

One of the early policies that was attacked was that of inflation targeting, which partially explains why the former Reserve Bank Governor, Tito Mboweni, feeling rather besieged by Zuma's left allies, threw the towel in and vacated his offices.

Mboweni was also seen as a mascot of Mbeki era pro-capitalist policy together with former Minister of Finance Trevor Manuel, who resides in the presidency holding onto one of the most powerful posts, in the National Planning Commission (NPC).

The NPC is said to set the tone of government line ministries and departments' policy agenda for the next five years. Its aim is to guide government planning strategically and ensure various trade-offs that need to be made at the highest level of decision-making in government.

It would, if Manuel had his way, frame the economic policy focus.

Most recently, the NPC released its Green Paper for discussion.

The immediate reaction to it from the left within the ANC was personal attacks on Manuel. The NPC has been accused of trying to take control of all government policy and, most importantly, that of economic policy.

Manuel is accused of wanting to bring back the Class of 1996 project. The left sees his presence in the Zuma cabinet as a hindrance to pushing a leftist leaning in the framing of economic policy.

### **Why the debate on economic tools is not economic policy**

But coming back to Mboweni and his inflation targeting – which has its merits and demerits – it is a false bogey, picked on by the left, because one can't really transform an economy simply by monetary measures. It is a tool to keep inflation down but can't direct the substance of the economy, and in this regard it is a blunt instrument.

The real economy is built from real stuff – the skills, knowledge, innovation, technology, manufacturing and building things we need to sustain economic development and growth. But on this question – the future direction of the economy – the Zuma era is still to refine and direct.

Monetary policy, like currency policy, is necessary but always insufficient as its tool in its own right. There is little one can do by tempering the circulation of money or the volatility of the currency without addressing the fundamentals first.

The debate on currency exchange rates comes

from the premise that by keeping the rand low we can improve the competitiveness of South African exports. There is some truth in this.

However, in the last 15 years we have had no industrial policy to speak of. An industrial policy strategy or plan is said to be announced in January of next year. We are relying on old industries and sectors whose credence as future foundations for growth and development is somewhat suspect given that China and India are likely to shift the global game on this question.

They are already hammering the growth potential of the South African textile and car manufacturing industries, not to mention others.

If we are to succeed, we best build those industries that will face the path of least resistance from global competition.

For now we are wholly dependent on financial flows into the stock market and the purchase of minerals. The industrial base is being eroded and this year saw several industrial sectors – such as the textile industry – having to be bailed out.

### **The fight over who controls economic policy**

Part of the reasons why you won't see a succinct and distinct economic policy framework is that pitch battles are being waged within the Zuma's cabinet over economic policy control and direction at present.

At the centre of the conflict sits Zuma's Planning Minister, Trevor Manuel, who in the past was the major driver of South Africa's economic policy against the new Minister for Economic Development, Ebrahim Patel. Then there are two other key figures: the Minister of Finance, Pravin Gordhan, and the Minister of Trade and Industry, Rob Davies.

All of them are key to setting a successful economic policy framework in place. But Patel's five person ministry has neither department nor budget to speak of. He was recently removed from chairing the economic cluster (a cabinet forum where overlapping ministries involved in the economy meet as a group), and Manuel was recently shuffled by Zuma and taken out completely from the economic cluster to preserve the peace between comrades.

Manuel has also been left out of other key clusters which are important for the country's economy, snipping his vocal cords in the process to diminish his voice even though the NPC is viewed as essential to holding the different parts of government together.

It may well end up being reduced to an ineffectual government function.

At the heart of the conflict is ideology and perhaps tactic, although the ANC won't admit it. The battle of ideas is between pragmatists like Manuel and Pravin – seen largely by the left as private sector and market friendly – versus the interventionists such as Davies and Patel; Davies hails from the Communist party and Patel has a long history with the unions.

### Can state enterprises do the job of fixing the economy?

The ANC's NDR and control over the economy hinges on having an effective player in the market – the role it sees as being that of state enterprises.

State led capital accumulation will be key in how successful interventionist policies by the state are going to be.

At Polokwane the ANC recognised that more needs to be done to make state-owned enterprises (SOEs) effective tools for bringing about a greater developmental agenda within the economy.

Its resolutions noted:

*Strengthening the role of state-owned enterprises and ensuring that, remaining financially viable, SOEs, agencies and utilities – as well as companies in which the state has significant shareholding – respond to a clearly defined public mandate and act in terms of our overarching industrial policy and economic transformation objectives.*

SOEs can sink deep routes in the economy by channelling public funds through infrastructure and industrial development. They can also direct the way the private sector makes future investment decisions.

The focus on Black Economic Empowerment (BEE) as a transformational tool, during the Mbeki era, has by default resulted in less of an emphasis on key SOEs as drivers of economic change where new models of ownership, enterprise and economic innovation take place.

Where BEE has led to a handover of shares from the white economy to a few within the ANC cadre of black elites, it has done nothing to shift economic power. If anything, BEE deals have become a hindrance. They have corrupted the play of economic transformation.

BEE deals by their nature involve onerous lock-in periods, BEE partners are not allowed to sell the shares until a certain time-period has lapsed – usually 10 years. They are not ideal to drive state orientated objectives. Being locked-in also means that old capital continues to hold sway over the choices of black

ownership and decisions over investments – which amounts to greater restrictions because of the need to service debt.

Locked-in BEE deals do not represent productive entrepreneurship but rather a capture of political influence by old capital given the high-flying names that have become synonymous with prominent BEE deals. They mark a lazy way to economic wealth. The returns for the rest of the populace have at best been questionable.

BEE deals, following the financial crisis, have had to be recapitalised given that share prices have taken a hiding and dividends are not strong enough to help pay the interest and capital. The refinancing and restructuring of BEE deals has meant more debt has to be serviced.

BEE deals in general give the ANC access to capital to keep the party machinery going, as every year's election proves the case.

SOEs themselves have been instrumental in shaping the transformation of white owned capital and firms by giving preference to those firms that have BEE partners. In this way they perpetuate the broader problem of how BEE deals represent the capture of "rents" by a few rather than true economic development.

### The key challenges for SOEs in South Africa

Then there is the SOE's primary focus on service delivery and issues of financial efficiency, which have rendered SOEs less effective vehicles for building capacity to engage investments in new production. SOEs, in general, have at their heart the primacy given to representational issues.

There is a long way to go with SOEs. They too have come under the influence of corporatised models of management and at some point wholesale privatisation of these assets was mooted, which has only fed the corporatised culture that has come to dominate.

In a corporatised culture, financial incentives follow the trend that commercial enterprises foster – measuring one's self by the obsession with the bottom-line. The financialisation of SOE performance tends to work against workers interest and developmental goals – this forces a peculiar culture and mindset: if, SOEs do not show good financial results assets are trimmed, no new investments may be encouraged, infrastructure may not be upgraded or workers are made redundant.

SOEs should be sources of new capital accumulation rather than a sink of capital. In so doing,

their wealth generating capacity should naturally spawn new entrepreneurship and diversification of investment. Thus far, several of the SOEs like the SAA, Denel, SABC, Eskom, Transnet and others have sucked state resources and in some cases total management incompetency has gone on unchecked, causing great damage to some key state parastatals with a loss of revenue and staff morale.

SOEs can have a greater impact on strengthening the economy. However, their conception as dependent entities of state where their role is solely to roll out social and infrastructure programmes limits their roles as agents of economic change.

State directed and controlled capital accumulation give greater power to restructure the economy and SOEs should be a key element of that strategy – their role and culture has to change to make them better suited to the new developmental agenda that has become the vision of the post-Polokwane discourse.

### **Conclusion: What we don't have we must build now before it is too late**

The Zuma era ANC has already embarked on the review of SOEs with a view to reshape their mandate and make them play a bigger role in the industrial development of the country.

What have we reaped after 15 years? Sadly, our gini-coefficient shows no sign of improvement. The latest results show we are even lower than that of Brazil. We have failed the poor. Our unemployment is embarrassingly high – hovering anywhere between 27–30%. And, the global financial crisis has not made it any better – the first three quarters of the economy have already shed close to one million jobs.

When the global economy picks up again we will have our economy lifted by the wave of external growth, but the question of the internal dependency syndrome we have fostered on the populace will continue and will have to be resolved.

The internal dependence is the inadvertent consequence of politicians promising the earth. The state has essentially turned itself into a “nanny-state” having to provide all the needs of its citizens with shrinking coffers.

The state has been able to shift the income share – in the form of grants, free water, electricity, housing

subsidies and land grants – from the rich to those members of the populace whose share and capacity to generate income has declined rather drastically over the last 15 years.

It is true at one level we have been able to improve poverty through this income shift, but at another level we have only dug the poverty trap deeper because the social welfare net cannot be sustainable and also inculcates a sense of hopelessness.

More than 13 million people are on grants of one sort or the other, which costs the state about R118 billion, and this is set to cost about R140 billion by 2012.

The task of income generation and contribution cannot solely be the burden of a small population of the employed and entrepreneurial class – this is unsustainable. The income burden will have to be expanded through meaningful job creation, encouragement of entrepreneurship and by expanding the ways we create wealth through a more sustainable growth path of the economy.

There has to be real income shift, not through the giving of handouts but by giving South Africa's people the opportunity to find meaningful jobs and who in turn, through their own entrepreneurship and ingenuity contribute to its knowledge, development and growth.

The ANC recognises that private capital will not carry this burden of poverty alleviation. In the last 15 years the agenda of private capital has been to maximise its own growth and expand its footprint in the rest of Africa and globally. Indeed, many have done so.

It will have to shift the burden of taking on this responsibility within the economy to state institutions. The state will not only have to distribute the share of income it receives but also, stridently, contribute to the growth of this income. This is the next challenge for economic policy in South Africa and the defining moment for the idea of a developmental state.

To gain the commanding heights over the economy a competent bureaucracy and interventions in the economy are required where revenue streams do not only grow the share of one segment of the economy but aid all its participants.



## Biography

### Isobelle Frye

Isobel is Director of Studies in Poverty and Inequality Institute (SPII) in Johannesburg. She moved from being a director at a commercial law practice to work for the Black Sash as their Advocacy Manager and then for NALEDI – the research arm of the Congress of South African Trade Unions (COSATU) – as a senior researcher in poverty and socio-economic rights. SPII undertakes both primary and secondary research into poverty and social exclusions, and policy analysis in the field of anti-poverty policies, inequalities, socio-economic and constitutional rights, and social protection.



## Responses and alternatives: South Africa's response to the crisis

In South Africa, we have perhaps yet to witness the full knock-on effect of the global crisis. The extent of South African exposure to the international financial system as part of the country's emergence as a "global player" was apparently mitigated by the strong regulatory system governing the financial industry. Nevertheless, for the ordinary person on the street, the impact has been a lot heavier. The number of jobs shed since January 2009 is cause for great concern. Many of the jobs lost have been in the semi-skilled sector – trade, transport and mining. Statistically, semi-skilled and unskilled workers tend to live in households that have fewer employed persons, thus the number of people dependent on the incomes of these workers tends to be higher than in households made up of more skilled workers.

In this article the adequacy of South African response to the global economic crisis will be explored. It will be argued, however, that the crisis in South Africa existed long before its more recent international counterpart. Poverty, unemployment and inequality appears to have continued unchecked, and in fact, they are often unacknowledged by those with voice and influence. In conclusion, international lessons will be sought from other countries in similar situations to that of South Africa. Recommendations will be made about how the state can ensure that any economic rebound is faithful to the current commitment to the needs of the poor and vulnerable in an attempt to consider if this global crisis can be used to achieve structural change in the South African socio-economic landscape.

### The South African rescue package

On 19 February 2009, the four social partners of the National Economic Development and Labour Council (NEDLAC), namely government, labour, business and the community constituency, in conjunction with the presidency, created the Framework for South Africa's Response to the International Economic Crisis (the Framework). This was the result of some four months' planning and negotiating within the NEDLAC structures. The statement of joint purpose of the document declares that "(the parties) agree that the economic situation requires an effective collective response, and have set out that response here". The four principles that inform the Framework are:

- The welfare of the most vulnerable cannot be allowed to worsen, and the poor should not unfairly carry the burden of the downturn;
- Interventions to grow the economy and to create decent jobs must continue. Means towards this include:
  - increased state investment in economic infrastructure;
  - renewed joint commitment to skills development;
  - urgent commitment to introduce effective industrial or sector strategies or strengthen existing strategies;
  - higher levels of private sector investment and entrepreneurship;
  - the transformation and integration of informal activities into the formal economy;
  - streamlining of government;



- improved economic efficiency; and
- commitment to macro-economic policies that support decent work and sustainable growth;
- ❑ The maintenance of high levels of investment in public sector infrastructure, and the encouragement of investments and corporate social investment programmes in the private sector; and
- ❑ Ongoing review of the interventions to ensure their appropriateness and relevance in the light of recognition that some short-term benefits might have detrimental long-term social or economic effects.

The details of the principles were to be contained in action plans to be developed by five task teams, namely the:

- ❑ Leadership Team;
- ❑ Investment and Financing Task Team;
- ❑ Social Interventions Task Team;
- ❑ Employment Task Team; and
- ❑ Distressed Sectors Task Team.

While the four principles are sound, and the emphasis on shielding the most vulnerable is valuable, the rescue plan overlooked concrete details to enable the implementers to hit the ground running. The task teams' work lacks a real sense of urgency, and requires a public communication strategy. Ad hoc news releases provide the main source of information for most people not intimately engaged in the task teams themselves. The absence of progress in the midst of rising unemployment figures led to headlines such as "SA's recession rescue plan 'paralysed' by ineptitude" which ran in the national Business Day on 13 July 2009.

A press statement issued by the presidency on 5 August 2009 was the best source that could be found for detail. According to the statement, "the Framework has been commended internationally for bringing together social partners in forging a common response, and has been held up as an example of how countries can respond in a sustainable manner to the current financial crisis." Of note was the attestation that "while significant technical work has been done and important progress made, President Zuma called for implementation to be speeded up so that the effect of this work would begin to be felt by the population".

The press statement notes the progress to date:

- ❑ *The setting up of a training layoff scheme as an alternative to retrenchment for workers and companies affected by the recession. This scheme would entail a*

*temporary suspension of work of a worker or a group of workers that will be used for training purposes. To be launched in September 2009 targeting workers in defined circumstances earning up to R180 000 per annum;*

- ❑ *R2,4 billion to be placed in a National Jobs Fund, from the National Skills Fund and the Unemployment Insurance Fund to pay training allowance to workers, from 50% of basic wage to a maximum of R6 239 a month. Sectoral Education and Training Authorities asked to provide further funds and support;*
- ❑ *The Commission for Conciliation, Mediation and Arbitration (CCMA) to assist necessary changes to existing employment contracts to enable the training layoffs of workers;*
- ❑ *Agreement has been reached on a number of steps necessary to strengthen the ability and capacity of the South African Revenue Service (SARS) to address customs fraud that has led to many job losses;*
- ❑ *The following have been agreed: support for distressed companies in the automotive sector; a rescue package for the clothing and textiles industry; increased incentives for the manufacture of capital equipment, transport equipment and fabricated metal products linked to South Africa's infrastructure development programme; and payments by government suppliers to be made within 30 days;*
- ❑ *The Industrial Development Corporation made R6 billion available over the next 2 years to respond directly to the crisis;*
- ❑ *The Competition Commission is advanced in their investigations and prosecutions into anti-competitive behaviour in respect to food prices; and*
- ❑ *The National Debt Mediation Association has been established to provide rules, standards and processes to address debt restructuring.*

(A number of the above initiatives were under way before the Framework agreement was developed.)

The lack of any sense of the need for the NEDLAC actors to effectively communicate their planning and designs in a proactive way has meant that small businesses under financial strain have no idea whether assistance is available to them, or when it will be. The lack of effective communication is troubling. It may well be based on the assumption that each partner in NEDLAC would disseminate information to their own constituencies, but this is not common practice. Also, there are many affected people who do not belong to associations linked to the business, labour or community constituencies.

The NEDLAC architects must see that the work

that they are doing does not exist in an academic vacuum. One of the strongest planks to the Framework document, and one for which the state must receive acknowledgement, is their steadfast commitment to continue investing heavily in public infrastructure linked to massive semi-skilled, short-term job creation in the face of economic downturn. However, this achievement was even listed in the above press release.

### Pre-existing crisis

However a more fundamental problem runs through the rescue plan, namely the apparent silence about the crisis that existed in our economy and society before the meltdown from the United States hit our virtual shores.

Counting discouraged work seekers, unemployment in the third quarter last year stood at 5,1 million people. Formal sector employment encompassed 9,4 million workers while 7,1 million people were involved in informal-sector employment. Of those employed, two-thirds earned R2 500 per month or less.

Meth (2009) places the number of people living below a poverty line of R322 (in 2000 constant prices) at 22,5 million.

The issue of youth unemployment is another cause of great concern in terms of social stability and the ability of the workforce to reproduce the necessary skilled labour in future years. At the time of the latest Income and Expenditure Survey (2005–6), 63% of youth between 15 and 30 were unemployed. Of these, 66% (1 641 000 people) had never before worked. Furthermore, youth constituted 74% of the total number of officially unemployed people in 2005–6. More than a quarter of all working young people are employed in temporary positions with the attendant vulnerability thereof.

The state's most effective programme to date to address the impact of this ongoing crisis has been the roll-out of social cash transfers (grants), in accordance with its constitutional obligation so to do. Currently just over 13 million people receive monthly cash grants. 8,7 million grants are child support grants of R240 per child per month (up to 15 years) and 2,3 million grants are old-age pensions of R1010 per month.

All of these grants are means tested, and it is critical to bear in mind that due to the historical design of the social security system in South Africa, cash grants are only available to non-able-bodied

people outside of the labour market. In other words, little support is available for unemployed persons of working age, due largely to the fact that the social security system was designed under apartheid and was meant principally for white South Africans. Given the massive drive of preferred white-only labour-market policies, few white people of working age were destined to be without a job for long.

There are a few avenues for working age people to obtain limited assistance, but all of them are short term. The Unemployment Insurance Fund (UIF) provides some relief, for a limited period of time and on a sliding scale, for people who have been retrenched, but this is only for formally employed workers whose employers registered them and paid the contributions to the fund.

This fund is currently receiving attention towards expanding this assistance either in duration or in value of the payouts, but it is still not available to people who were involved in informal livelihood activities. In addition, the state-funded Expanded Public Works Programme provides limited (3 to 6 months) "job opportunities", which, linked to limited "life skills training" is hoped to set unemployed people up with the necessary skills and experience to develop their income streams.

Finally, the Department of Social Development offers a "Social Relief of Distress" (SROD) grant. SROD is available for people who face a "distressing" factor that affects their income – from the loss of a job, or the imprisonment or death of a breadwinner. However the grant is not aimed at relieving chronic destitution or poverty. The application process is quite complex, and involves visits by a social worker. From Studies in Poverty and Inequality Institute (SPII) research in Vosloorus, it emerged that notwithstanding national policies about access to SROD, officials of the South African Social Security Agency (SASSA) in the East Rand of Gauteng also work to a maximum total of applications of 1 000 per month.

The Framework contains the following commitment in respect of the poor:

*The Parties agree to a targeted Emergency Food Relief Programme that will enhance food accessibility and affordability to the poorest communities experiencing difficulty as a result of the economic crisis, targeting families in distress. The programme will be underpinned by a food distribution strategy. The programme will be supported through partnership with the private sector, NGOs and community-based organisations.*

*It will be aligned to existing initiatives such as the Social Relief of Distress Fund and other food-security strategies. (Paragraph 5.3)*

This plan seems to enforce a consistency of Framework with an ongoing reluctance by the state to acknowledge the structural nature of unemployment and poverty in South Africa. Like the Social Relief of Distress criteria, the Framework's commitment does not commit any new assistance to addressing the needs of the many millions who were marginalised economically and socially prior to the economic crisis. In fact, the term "economic crisis" might be said to permanently characterise the lives of these people.

### Existing shortcomings of the economy

Space does not allow for a thorough analysis of the shortcomings of the South African economy. It is clear, however, that the continued dependence on primary commodity export increases the vulnerability of the economy to global meltdowns and decline in demand. A high dependency on the import of inputs has exposed the country for some time now to critical weakness in terms of trade current account deficits. These have in turn affected the exchange rate volatility, impacting on interest rates and inflation levels internally. In fact, the initial wave of retrenchments in the last quarter of last year were more likely to be the knock-on effects of a fall in local demand as a result of aggressive interest-rate hikes to dampen inflation than early fallout from the global economic crisis.

Ongoing dependency on input imports in the face of weak global demand for commodities further endangers the chance for the improvement of production in the aftermath of the crisis (United Nations, 2009). The failure to robustly embark on sector-specific industrial strategy innovations, despite much work done on this in the recent past, has led to limited benefit or value-add to the primary commodity trade. The manufacturing sector, the second-largest in the economy, has faced steep competition from imports that undercut local production. Limited local demand due to the high levels of poverty acts as a further brake to the expansion and deepening of local production and manufacturing. The skewed income distribution has resulted in the high levels of disposable incomes of the rich focussing on imported goods and commodities.

All of this has a knock-on effect on the demand for labour in the country. Labour demand is

primarily for skilled labour, from which category most of the unemployed are excluded. This is due to a self-reinforcing combination of poor primary and secondary education, underinvestment in trades and vocational training, and the ongoing impact of apartheid spatial planning that has resulted in many marginalised people living far from centres of existing economic activity.

### International comparisons of rescue plans

The recent UN publication, *The Global Economic and Financial Crisis: Regional Impacts, Response and Solutions* (United Nations, 2009), provides some initial analysis of the responses of the developing countries to the global crisis. In terms of future development of policy, the recommendations from the Economic and social Commission for Asia and the Pacific come through as the most innovative. They include:

- ❑ Strengthen regional coordination of monetary and fiscal policies;
- ❑ Strengthen the social foundation through more effective social-protection systems;
- ❑ Utilize the financial crisis as a window of opportunity for addressing climate change;
- ❑ Engender fiscal stimulus packages;
- ❑ Strengthen regional contingency and surveillance; and
- ❑ Establish regional trade-financing mechanisms.

Measured against these comparisons, the principles that inform the South African rescue Framework emerge as solid. Given, however, the structural binds that continue to trap people in South Africa in intergenerational poverty, the question that should emerge is how can the rebound initiatives be arranged in a manner that favours the poor and addresses some of the structural binds?

### Ensuring pro-poor bias in recovery

In a draft paper prepared for the Commission on Growth and Development entitled *Macro Crises and Targeting Transfers to the Poor*, Professor Ravi Kanbur says the following:

*Of particular significance is the use of existing policy instruments, and possibly the design and implementation of new ones, to protect the poor during the crisis and to maintain their capacity to benefit from the rebound when it comes. (Kanbur, 2009)*

The conclusion that Kanbur reaches is that due to the limited resources arising from the economic

crisis, choices of allocations and trade-offs will always be painful. For this reason he argues that *ex ante* interventions that provide security to the poor are always better.

Kanbur recommends that assistance to the poor should increase together with a relaxation of targeting to ensure that more people are eligible to receive this assistance. Policy makers might dismiss this as being a tough challenge in the light of a reduction in available resources. However, a solution that ensures that the poor benefit more in the rebound and begins to address some of the structural impediments to equitable growth that South Africa currently faces is required at this stage.

### Conclusion and recommendations

In conclusion, the choices are not easy. Governments of the day have an obligation not to endanger the future development of the country through unsustainable fiscal commitments. However, the sustainability of a nation and its people as well as its economic development also need to be considered in this complex formula.

The following are some choices that should at least be considered in the ongoing rescue planning:

- ❑ Increase local demand by increasing available income of the poor through greater social protection;
- ❑ Increase knowledge about the poor – where they are situated, their needs and their skills and their potential to participate in productive ventures;
- ❑ Consider how best the current levels of inequality can be addressed;
- ❑ Design better skills training linked to short-term experience opportunities to ensure for the greater employability of people when jobs become available;
- ❑ Align industrial policy, labour market policies and skills policies to ensure an efficient matching of current and future demands;

- ❑ Align the development financial institutions with sector specific industrial policy development to stimulate the growth of small businesses, linked to existing community development initiatives that are currently being undertaken; and
- ❑ Introduce a percentage tax on JSE trading that would feed into a development fund to be made available to assist small and micro enterprises and provide for local economic opportunities.

These suggestions are not new and probably not innovative enough to meet the current adversities. As we move forward the challenge is to change the structure of the economy to provide for greater inclusion, but we also have to admit that there will be many people that will not benefit in their lifetime from such changes and to design systems to provide assistance to them. A very real concern that we face as we move forward is that the current political fighting between the Department of Economic Development and the Planning Commission in the presidency will, once again, detract and deflect attention away from these issues, and in so doing retard the very real progress that we need to make as we head towards the third decade of democracy.

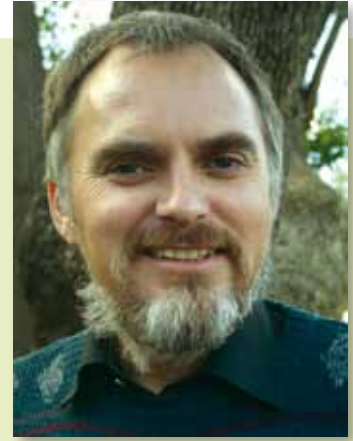
### References:

- "SA's recession rescue plan 'paralysed' by ineptitude". *Business Day*. 13 July 2009.
- Department of Social Development. Annual Report 2008–9.
- Kanbur, R. Draft Paper: *Macro Crises and Targeting Transfers to the Poor*, 2009.
- Meth, C. Poverty in South Africa – the latest estimates, September 2009 (unpublished).
- NEDLAC, *Framework for South Africa's Response to the International Economic Crisis*. 19 February 2009.
- Overseas Development Institute. *The global financial crisis and developing countries*, Background Note, October 2008.
- Statistics South Africa. *Labour Force Survey P0211*, 3rd Quarter 2008.
- Statistics South Africa. *Income and Expenditure Survey 2005/06*, P01002005.
- The Presidency. *Economic Crisis Response Task Team briefs the President*. Press statement, 5 August 2009.
- United Nations. *The Global Economic and Financial Crisis: regional Impacts, Response and Solutions*, 2009.

## Biography

### Prof James Blignaut with Leandri van der Elst

James is an ecological and environmental resource economist who started his career in 1991 at the South African Reserve Bank. After obtaining his doctoral degree in 1995 he joined the Department of Economics, University of Pretoria, in 1996. Since 2005 he has been a part time lecturer at the university and fully engaged in activities concerning economic development, environmental and ecological resource economics, and capacity building in these fields. James is the director of various companies such as Jabenzi (Pty) Ltd, through which he endeavours to make rural development and poverty alleviation a reality in sub-Saharan Africa by providing the necessarily links between the formal economy and the natural resource base of the rural economies.



# South Africa and sustainable development: a reflection

## Introduction

In every challenge there is an opportunity for a fresh rethink and the development of alternative solutions. Such is the situation concerning the current global economic crisis, especially seen in the context of the deepening environmental challenges the country, and the world as a whole, is facing. It is possible, however, to seek solutions that will address both global economic and environmental challenges. This is recognised by the government of South Africa in the release of the “Framework for South Africa’s response to the international economic crisis” (SA, 2009), as well as by the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) (The Presidency, 2009).

Viewed fundamentally, there are three distinct non-exclusive, integrative, sustainable development pathways. They are:

- Sustainability through technological change whereby, among others, the resource and energy intensity of an economy is significantly reduced. Also called the dematerialisation of economic development, a subject of industrial ecology;
- Sustainability through social behavioural change whereby society’s preferences and value systems change what we consider to be wealth, the reason or rationale for living, and the way in which we live; and

- Sustainability through the restoration of natural capital (RNC), where RNC is defined as any activity that integrates investment in and replenishment of natural capital stocks to improve the flows of ecosystem goods and services, while enhancing all aspects of human wellbeing (Aronson, Blignaut, Milton & Clewell, 2007).

If a country, region, or even a company wishes to develop sustainably then it has to embark on a process that involves political and behavioural change that adopts strategies and actions towards implementing the above pathways. That implies redirecting an economy, and with it the behaviour of people, to become less energy and resource intensive yet that offers options towards improved quality of life, embraces new values and value judgements as to the substance and composition of wealth, and restores natural capital. These are views and principles elaborated upon in *Toward a Transatlantic Green New Deal: Tackling the Climate and Economic Crises*, as discussed in French, H., Renner, M. and Gardner, G., (2009).

While it is clear what the fundamental changes have to be, it is only by taking an active and cognitive decision to become sustainable that sustainability will become a reality. Failing such a decision and ensuing supportive actions, sustainability will remain a pipe

dream, the topic of many talks, papers and books, but with little supportive evidence of implementation.

While it is impossible within the ambit of a short essay such as this to develop a comprehensive development package around each of the above three pathways, we will provide some thoughts as to the basic ingredients such an inclusive economic development package should contain. Before providing such an assessment herewith a brief analysis of the South African economy.

### The South African economy

South Africa's (and for the most part Southern Africa's) economy essentially constitutes three layers, namely:

- ❑ Those who are educated, employed and/or meaningfully self-employed and affluent, i.e. the top layer, comprising 20% of people earning 65% of income;
- ❑ Blue-collar workers who are semi-skilled and who, for the most part, live in an urban or peri-urban setting crafting out a living on a day-by-day basis, i.e. the middle layer, comprising 20% of people earning 17% of income; and
- ❑ Those who are mostly based in rural areas, unskilled and predominantly disillusioned with no hope that the formal economy will offer them any meaningful escape from poverty, and therefore are engaged in a continuous battle for survival, i.e. the bottom layer, comprising 60% of people earning 18% of income.

Conventional economic development policies are, for the most part, concerned with the development of the top layer based on the premise that through the "trickle-down" effect, the middle and bottom layers will be developed over time. While it goes without saying that any economy needs, as an essential ingredient, a strong top layer, there is very little proof of the effect and impact of the trickle-down effect. Rather, there is meaningful evidence of 'trickle-up' whereby the poor have to buy produce and services offered by the top layer with money received from, *inter alia*, grants, remittances, handouts and by performing low and sporadic income earning jobs. Such a system can never be sustainable.

The inappropriateness and inadequacy of the trickle-down view is highlighted by the fact that a poor household spends between 60 and 80% of its budget on food, energy, transport and telecommunication. The poor, therefore, buy

transportation, telecommunication, energy and retail services from corporations and chain stores, while they themselves have nothing to sell to these and other companies and people in the top layer. The poor are becoming poorer while they become more entrapped in an ever deepening poverty swamp. The conventional way of considering development has either no or very little chance of reaching those entrapped in the middle, let alone those in the bottom layer. This emphasises the need for "unconventional" approaches to economic development and the implementation thereof. Herewith some perspectives as to what such a package could look like and entail within a specific South African context.

### Economic development

An economic development package, as a minimum, has to:

- ❑ Narrow the gap between the bottom and the top layers of the economy without disenfranchising the top, and actively address the plight of the poor;
- ❑ Propel the economy onto a sustainability pathway by reducing the resource intensities, changing behaviour and augmenting the natural capital stock;
- ❑ Be practical; and
- ❑ Be implemented.

One such proposed package is one that focuses on the supply of:

*Natural resource management, food, water, and energy access, provision and security (Blignaut, 2009).*

By neglecting any of these four critical areas of development, or by not making them part of the mainstream development pathway, development will either not take place or at best be biased, skewed or non-sustainable. Working from the premise of these four basic ingredients within a framework of good governance, institutional support and vibrant social capital, it is possible to develop economic development packages for local, regional and national levels. We will unpack this model now in more detail.

### Managing the country's natural (and social) capital

Natural capital is the limiting factor to economic development. Please note Daly, in Aronson et al. (2006):

*"More and more, the complementary factor in short supply (limiting factor) is remaining natural capital, not man-made capital as it used to be. For example, populations of fish, not fishing boats, limit fish catch worldwide. Economic logic says to invest in*



*the limiting factor. That logic has not changed, but the identity of the limiting factor has."*

The logic is clear: we need to invest in the limiting factor. Through integrative thinking, livelihoods can be improved and become more sustainable for all. This has become possible through the advent of payments for ecosystem goods and services whereby those dwelling in cities that require ecosystem services such as fresh water can pay the suppliers thereof, which, in South Africa's case, are mostly rural and poor (bottom layer) dwellers. Ecosystem goods and services are those supporting, provisioning, regulating and cultural services that well managed natural capital renders, essentially for free, to all living organisms, including people. For example, a wetland performs an essential function as a water purification system, but also as a water reservoir that stores and releases water slowly over a period of time. In so doing it contributes to flood attenuation, storm flow reduction, sediment control, base flow protection and water quality. In the past these services were considered outside the realm of markets, but that has changed given the increasing scarcity of ecosystem good services and the highly expensive alternatives, e.g. dams, water treatment facilities, etc. A well managed ecosystem, or environmental infrastructure, i.e. natural capital, can perform most tasks more efficiently and cheaper than its manufactured counterpart. For the most part in South Africa it is the rural poor, the bottom layer, who are the landowners and land users and who are the managers of some of the country's most precious natural capital and ecosystems, such as for example the upper reaches of the Drakensberg Mountains. Those who generally had nothing to sell to the top layer in the past, now have a service, and a priceless one at that.

It is, therefore, extremely encouraging to note that in South Africa, over the past couple of months, there has been a fresh interest in green jobs, the design and implementation of green buildings, and the development of a payment for ecosystem goods and services system or environmental sector, especially among the rural poor (SA, 2009; The Presidency, 2009). As of yet, though, it is too early to judge whether these new initiatives, all aimed at job creation and economic development, will be implemented and if so at what scale and how successful they will be. But these programmes are unlikely to succeed, or reach their full potential, if not embedded in a framework of sustainability and if they are not made part and parcel

of the mainstream economic development paradigm. But how does RNC link with development?

RNC refers to the idea that faced with dwindling reserves – in Africa, and indeed just about everywhere – people can actually replenish natural capital stocks (and thereby the services or flows) and improve long-term human wellbeing. RNC integrates economics and ecology in a manner that benefits people and at the same time improves the quality of the natural environment that sustains them. Once the land has become degraded, the development of the livelihood of the people who depend on it is seriously compromised. RNC aims to, while restoring the land, remove the pressures that caused the degradation in the first place. The restoration of land, food, water and energy security is interlinked – ultimately, each is a prerequisite and part of the solution for each of the others.

While most policies are currently aimed at relieving pressures, the focus should be based on mainstreaming the notion of a sustainable pathway. The development or re-alignment of policies by government to affect this pathway will remove the drivers of degradation and un-development. And by removing those drivers it will give rise to the elimination of the pressures, which in actual fact are only symptoms of a deeply entrenched disease.

Following from natural capital, social capital is defined as the sum of the institutions, relationships, social networks, and shared cultural beliefs and traditions that promote mutual trust within a community. Social capital acts as the glue binding the pillars of development together. Our people and our history are deeply rooted within the African soil, so rebuilding social life requires a plan – and ensuing action – that will make optimal use of land while not disenfranchising people from it, and payments for ecosystem goods and services do offer such an opportunity.

### **Agriculture and food production**

In South Africa, and most African countries, agriculture is the mainstay of the rural economies and the lifeline for those in the cities. What happens within this sector has serious implications for all, even those who are seemingly very far removed from it. Sadly, even tragically, this is one of the most neglected sectors in South Africa and both agriculture and prudent natural resource management are increasingly becoming the limiting factor in development since they impact on water, food and energy security. This



is because, as noted above, the production of water and the prudent management of ecosystems (and a farm is an ecosystem in and by itself), are interlinked, and so is sustainable food production and energy. Firewood and charcoal are the energy carriers of choice for most rural households, mainly because they are free. Yet the use thereof is environmentally unsustainable and leads to degradation, and contributes to indoor air pollution that has a negative impact on human health.

Furthermore, during the past few decades, South Africa has been hotter and drier than four decades ago (Blignaut et al., 2009). The change in climate is placing increased pressure on the agriculture industry and requires more intensive use of various natural and social resources. This impacts negatively on agricultural production which means that societies that are dependent on agriculture for their livelihoods are facing a crisis.

Subsistence farmers owned 41% of the cattle in South Africa in 2004. These farmers farm on a small scale; they are not integrated in the formal agriculture sector and they have little to no access to markets. They form a large part of the agriculture sector in South Africa as a whole. While commercial farmers can still, under special conditions, consider capital-intensive alternatives such as improved irrigation systems, the most vulnerable are the communal, peasant and emerging farmers whose ability to adapt is seriously hamstrung by a lack of capital and knowledge. They are extremely vulnerable to climate change and water scarcity.

But even in the formal agricultural sector, changes in climate and decreases in rainfall can be devastating. In horticulture and animal production, irrigation can be increased while the water surplus allows it. However, dry-land agriculture, especially field crops, is solely dependent on rainfall as irrigation cannot be used.

The ability of the environment to carry sustainable development is diminishing fast, and this requires changes in the management of available resources as well as measures to help the environment cope with the demand placed on it.

## Water

The Department of Water Affairs and Forestry (now Department of Water Affairs) estimated that South Africa had 1,4% water surplus in 2000. If one considers the increase in demand from 1995 to 2000, and if the demand continues to increase at this rate, the annual surplus to service the increasing demand

this valuable resource is vanishing fast. Also Scholes (2001) noted:

*The availability of water of acceptable quality is predicted to be the single greatest and most urgent development constraint facing South Africa. Virtually all the surface waters are already committed for use, and water is imported from neighbouring countries. Groundwater resources are quite limited; maintaining their quality and using them sustainably is a key issue."*

South Africa is at a point where decisions will have to be made and water use by some water intensive sectors will have to be decreased. This will introduce an era of water rationing. One option is to increase water charges, thereby decreasing the demand (Blignaut & Van Heerden, 2009). But this will not solve the problem; it will only temporarily cure the symptom.

As already mentioned, South Africa is predominantly agricultural. The use of surface water for irrigation in agriculture consumes approximately 60% of the total available water annually, with the demand increasing every year. The pressure from a sector that supports the biggest part of the country's economy can mean that water might not reach the people who need it the most, such as the poor who cannot afford to pay raised tariffs or who currently do not have access to piped water.

Various initiatives have been developed to address the water supply crisis in South Africa. One such an initiative is the water neutral scheme developed and operated by WWF-SA (Nel et al., 2009). Other initiatives include the Working for Water programme which was started by the Department of Water Affairs and Forestry in 1995. The objective of these initiatives are to contribute to the country's water supply by controlling and eradicating invasive alien plant species that are believed to consume more water than indigenous vegetation, and to create jobs. There is also a link between Working for Water and the newly created Working for Energy program in which the biomass forthcoming from the Working for Water programme can be utilised in energy generation.

## Renewable energy in South Africa

Renewable energy (RE), despite all the interest shown in it, is not (yet) a priority sector in South Africa if one considers the time and money invested in Research and Development (R&D) support, personnel and implementation. For example, the Pebble Bed

Modular Reactor (PBMR) (nuclear) programme of the government enjoys an R&D budget of R9 billion with an implementation capital expenditure budget of R31 billion that implies the development of new power at a unit cost of R380 million/mega watt. That is to be viewed against the paltry R15 million set aside for the Renewable Energy Subsidy Finance Office (REFSO) of the Department of Energy. REFSO does not even cover R&D, but is only a capital expenditure rebate to the private sector to the effect of R1m/MW installed.

Also, there is a deep-seated institutional confusion among the roles of government, mainly the Department of Energy, Eskom and the National Energy Regulator of South Africa (NERSA), whereby Eskom is dominating the landscape and is locking out and placing a squeeze on RE in favour of its own capital expenditure programmes. It is not in Eskom's interest to allow access of other market players in the RE field, and they themselves do not support RE despite claims to this effect. This is clearly shown in Eskom's budget allocation for RE and the implementation of RE projects, which is insignificant when compared to its coal-based programme. It is, therefore, a continuation of the old same.

There has also been no regulatory support for the RE sector. This is changing though with the introduction of the REFIT (Renewable Energy Feed-in Tariff) that is to come into effect early in 2010 and its impact is yet to be seen. While the capital expenditure on RE projects for the most part is less than R25m/MW, which is less than that of coal (R30m/MW) and nuclear (R380m/MW), there is scant support for its real value and that is in base load provision in a dispersed way, whereby small plants can be set up across the landscape to support local development, contribute to sustainable local development, job creation, trade, restoration, and water and energy security. This is since there has been (and largely still is) a disconnect between RE and local development because electricity provision has always been viewed as the sole responsibility of Eskom. It has never been seen as part of the development solution, but for the most part as the reason for non-development.

The RE sector can, given the right focus and priority, produce at least 3000MW within 5 years. This is mostly biomass (using invasive alien plants and bush encroachment), run-of-river hydro, solar, wind, and landfill gas and biogas. As mentioned, the impact of the newly announced REFIT is to be seen but since Eskom's capacity has been amortised, the generation cost of old existing Eskom power plants is much

lower than that of any new plant (even if the capital requirement is lower than that of Eskom's new power plants). This necessitates a feed-in tariff.

From the above it should be evident that the restoration of natural capital (i.e. control of invasive alien plants) in and by rural communities with the implementation of renewable energy (biomass and biogas technologies) and other "greening options", South Africa could reach a place where trade is established in rural communities. These communities will then become part of the economic development process and solution, while the environment will be restored to where it is a contributing factor to the economy.

### Concluding thoughts

As mentioned in the introduction, there are three pathways to development, and a development package that could be viewed as a minimum requirement for the pathways to be implemented to the full is one that focuses on natural resource management, food, water and energy access, provision and security. It is by focussing on these elements that it is possible to address both the challenges posed by the economic crisis, unemployment and the prolonged and deeply entrenched path of environmental unsustainability.

When considering such a prudent programme, the following aspects are worth considering when thinking about economic development:

- Vision and passion – there has to be a dream, a plan, combined with passion. Without vision, progress is not possible and any change that does occur will be haphazard and only rarely have any meaningful, lasting, forward momentum;
- Partnerships – it is hardly ever possible to develop without the strong support from likeminded people;
- Social capital – it is vital to restore the social capital, the moral fibre, and ethos of the society;
- Natural capital – as the base for all development, we must restore and maintain natural capital;
- Well functioning markets for food, water and energy security – following on the need for restoring and maintaining a well-functioning ecosystem, is the need for food, water, and energy security. If natural capital is the life support system of all humanity, agriculture is its lifeblood. But agriculture needs water and land;
- Trade – this should be the backbone philosophy of all forms of economic development;
- Ecosystem goods and services – when the focus

is on trade one must have products, goods and/or service, to sell to others. The recent advances in the development of markets (and payments) for ecosystem goods and services has opened up real prospects for rural communities in South Africa, for natural capital, and the ecosystem goods and services derived from them, to become an important selling point; and

- Appropriate and intermediate technologies – there is a need to focus on appropriate technologies to affect change. Appropriate in this context does not necessarily imply high tech or even expensive. For example, in-field rain water harvesting using no-till techniques have been shown to render considerably higher returns per hectare than more conventional crop production options. Also, energy could be forthcoming from biogas produced from cow manure rather than costly paraffin or electricity by means of conventional style coal-fired power stations. This is an example of what is called intermediate technology. One should always consider all the technology options and choose the most appropriate one for both the socio economic and biophysical contexts and the objective of the application.

Elected and appointed authorities officials and indeed all those in positions of intellectual, political, or financial power must not deny or neglect their responsibility to combat poverty and work towards development and a just economic system for all. But sound economic development can and should start at

home, at the local, grassroots level, by and through people with vision, courage and tenacity. By investing in natural capital, food, energy and water security and development programmes and in social capital; i.e. by reconstructing society by focusing on what are scarce, meaningful strides can be made towards the betterment of people's lives.

A Green New Deal is possible and technically within our reach, whether we will grasp hold of it is a matter of political will.

## References

- Aronson, J., Blignaut, J., Milton, J. and Clewell, A. 2006. Natural capital: The limiting factor. *Ecological engineering*. 28:1–5.
- Aronson, J., Milton, S. and Blignaut, J.N. (Eds.) 2007. *Restoring Natural Capital: Science, Business and Practice*. Island press.
- Blignaut, J. 2009. Fixing both the symptoms and the causes of degradation; The need for an integrated approach to economic development and restoration. *Journal of Arid Environments*, 73:696–698.
- Blignaut, J., Ueckermann, L. and Aronson, J. 2009. Agriculture production's sensitivity to changes in climate in South Africa. *South African Journal of Science*, 105:61–67.
- Blignaut, J. and Van Heerden, J. 2009. The impact of water scarcity on economic development initiatives. *Water SA*, 35(4): 415–420.
- DWAF (Department Of Water Affairs and Forestry, South Africa). 2004. *National Water Resource Strategy*. Pretoria: Department of Water Affairs and Forestry.
- French, H., Renner, M. and Gardner, G. 2009. Toward a Transatlantic Green New Deal: Tackling the Climate and Economic Crises. Prepared by the Worldwatch Institute for the Heinrich Böll Foundation. Publication series on ecology, Vol 3: Heinrich Böll Stiftung.
- South Africa (SA). 2009. *Framework for South Africa's response to the international economic crisis*. Downloaded on 26 Oct 2009. <http://www.info.gov.za/view/DownloadFileAction?id=96381>.
- Scholes, R. 2001. *Global Terrestrial Observing System: Regional Implementation Plan for Southern Africa*. GTOS-21. CSIR, Pretoria, South Africa, Pretoria.
- The Presidency. 2009. *AsgiSA annual report 2008*. The Presidency: Pretoria.

## Biography

### Fatima Shabodien

Fatima has been serving as the Executive Director of the Women on Farms Project (WFP) in South Africa since 2004. WFP is a leading South African women's organisation focused on the rights of women who live and work on commercial farms. Fatima has a rich history as a feminist political activist dating back to her youth during the anti-apartheid struggle. Through her activism, studies and work experience she has honed her expertise in the areas of rural development, women's rights and peace building. She has a BA in Anthropology from the University of the Western Cape, a Masters in International Peace Studies from the University of Notre Dame in the United States, and a MPhil in Development Studies from the Institute for Development Studies (IDS) at Sussex University.



## The impacts of the global economic crisis on women farmworkers in South Africa

Within a sustainable livelihoods framework, livelihood outcomes are determined by the extent to which people are able to harness a range of livelihood assets within a context of vulnerability or shocks (IFAD, 2009). The global economic crisis clearly presents one such moment of shock to the livelihoods of the poor.

To make sense of the impact of the crisis on women farmworkers, it is important for us to understand the state of farm women's livelihoods before the economic downturn.

### Liberalisation of the agricultural sector

South Africa's embracement of a neo-liberal economic framework in the post-apartheid era has led to a series of related developments in the agricultural sector.

During this period, South African commercial agriculture became rapidly export-orientated, rendering the sector and its workers extremely vulnerable to the exigencies of the international trade regime. The sector has therefore had to deal with a number of challenges stemming directly from South Africa's opening up to global markets and the rapid dismantling of trade barriers and subsidies. By signing the World Trade Organisation's Agreement on Agriculture, the South African government had to see through a series of reforms in its agricultural sector that comprised primarily deregulation and liberalisation measures.

One of the biggest challenges in this regard stems from the unequal terms of trade South Africa encounters within the export supply chain, having to compete against highly subsidised producers in the north, primarily Europe. The water and energy crises as well as currency strengthening have all served to further exacerbate the terms of trade.

As farmers increasingly found themselves exporting under more challenging conditions, the efforts by workers for better payment and working conditions became progressively harder. In the face of seemingly inflexible input costs, it has been labour that presented itself as a natural cost-cutting area in attempts by farmers to bring input costs down. This strategy by farmers has seen the unfolding of the following set of interrelated developments:

- Job losses – Despite the fact that the output of the industry has grown significantly since 1994, there has been a huge decline in numbers of people employed in agriculture: from 1 219 648 in 1988 to 796 000 in 2005, representing an overall reduction of almost 35% of jobs in the sector (Statistics SA, 2007). This has been attributed mainly to progressive mechanisation in some sectors of the industry.
- Casualisation – Casualisation represents the primary strategy employed by farmers to evade the costs associated with permanent employment contracts in terms of the post-apartheid farmworker labour legislation. This has resulted

in a situation where close to half of all jobs in agriculture today are temporary.

- ❑ **Feminisation** – As it is the case in other vulnerable sectors, we have seen the concomitant casualisation and feminisation of the work force, with an estimated two-thirds of temporary jobs being held by women (Umdlaba Development Services, 2004). Within the patriarchal worldview of farmers, women represent ideal candidates for temporary jobs as it is assumed that they are supplementary income earners within their households. This very perspective then justifies the payment of women at rates generally below that of what was previously paid to men for doing the same jobs. In addition, the terms of women's employment is much more precarious than that of men, with more women working without contracts, at lower wage rates and with no access to the important non-wage benefits permanent workers would be entitled to within the legislative framework.
- ❑ **Evictions** – Because housing has historically been tied to permanent employment, the casualisation of the labour force has also led to a massive displacement of worker families from farms. According to the 2005 Nkuzi study, more than one million farm dwellers were evicted between 1994 and 2004, the majority of whom were women and children. While there has been no data since this study tracking the rates of farm dweller exodus off farms, a range of indicators point to a dramatic intensification of evictions since then. These include the visible growth of informal settlements in rural towns populated almost entirely by evicted workers; the conversion of former farmworker dwellings into tourist accommodation (intensifying as we head towards the 2010 world cup); the growth of empty or boarded up farmworker dwellings; as well as the reported increase of evictions case loads of legal rights organisations such as the Lawyers for Human Rights and the Stellenbosch Legal Aid Clinic.
- ❑ **Labour Brokers** – The growth of the use of labour brokers is directly linked to the casualisation of the work force with farmers preferring to outsource the contracting of temporary workers through labour brokers. Because brokers themselves often operate illegally without registration, there is a high concentration of labour rights violations of workers contracted

in this manner. A 2008 study conducted by the Women on Farms Project (WFP) and the Centre for Rural Legal Studies found that most workers contracted in this manner did not receive the minimum wage, had no access to non-wage entitlements and were unable to join unions given the threat of job losses. At the 2009 parliamentary hearings on Labour Brokers, women workers further testified to the wide-spread sexual exploitation by brokers, especially marked among women migrant workers.

Despite the challenges posed by the opening up to the international markets, in general, South Africa's rejoining of the global economy has been tremendously profitable for producers. The gross income generated by commercial agriculture grew from R19 billion in 1993 to a staggering R80 billion in 2005, denoting a 400% increase in gross farming revenue (Statistics SA, 2007). At the same time farmworkers' share of this income in terms of remuneration dwindled to a mere 0,001% by 2005 (ibid).

The dramatic increase in food prices during recent years presents a significant threat to farmworker livelihoods. In 2005 an investigation conducted by WFP and Action Aid into the working conditions of women farmworkers on Tesco-supplying farms in the Western Cape found that for the families of female workers, food security was pervasive as families struggled to meet the basic nutritional needs. Farmworker households are particularly hard-hit by soaring food prices given the high proportion of their incomes spent on foods. The Bureau of Market Research at the University of South Africa found that poor households spend on average 71% of their incomes on food, compared to 24% and 28% on the part of the middle strata and the rich respectively.

In conclusion, despite the improvement of labour rights in terms of law, in real terms South African farmworkers have been experiencing a deterioration of the absolute working and living conditions since 1994.

Economic data on the status of agriculture lags and does not show the definitive impact of the current global economic crisis as yet. However, it is, considering the overwhelming evidence of the devastating impact of the economic crisis on the livelihoods of the poor in general, likely that it has accelerated the developments outlined above and deepened the livelihood crisis faced by the

farmworker community in general and women in particular.

### Impacts of the global economic crises

While South Africa all in all fared well during the global financial crisis in 2008, its agricultural sector has not been immune to the global trends of debt default, which resulted in an increase in the registration of farm liquidations. And while these potentially represented important opportunities for returning land and agricultural enterprises to black people, government has failed to step into this gap.

Since South Africa has not instituted the state's "right of first refusal" when it comes to land sales (as is the case in Namibia), in cases of bankruptcies the land and enterprises have returned to the open market. In many cases large-scale agribusinesses have snapped up most of the land that smaller farmers have been forced to give up (Hattingh, 2008). As a direct result of this, South Africa's agricultural sector has become increasingly concentrated in the hands of a small group of white large-scale agribusinesses.

These growing monopolies present an effective block to the development of new black and female entrants into agriculture through land reform and Black Economic Empowerment initiatives, undermining South Africa's attempts at transforming the agricultural sector.

The impact of the current economic downturn on agriculture has thus far been more limited than that of the mining and manufacturing sectors. Nevertheless the crisis has started to have an effect in trade and employment terms.

For the agriculture sector, the definitive indicator of employment trends is usually tracked through the five-yearly national agricultural census (last conducted in 2005). According to this census the sector as a whole has experienced total job losses of 35% over a period of 17 years between 1988 and 2005 (from 1 219 648 to 796 000 workers). This represents an average of just-under 2% of job losses per annum for this period. The National Department of Agriculture is now estimating that a total of 80 000 farmworker jobs were lost between 2008 and 2009 alone. In a single year, a total of 10% of the agricultural work force have been rendered unemployed.

In times of such dramatic job losses, women farmworkers are even more reluctant than before to assert their labour rights for fear of losing their jobs. Even in cases where women are aware that their rights are being violated and are unhappy about it,

they often choose to stay silent. This fear is deepened by the fact that government's response to the economic crisis has been almost entirely focussed on job preservation. Workers who protest against unfair working conditions are made to look unreasonable as they are expected to be grateful for still having a job when many have none.

The vulnerability of female workers will further be compounded by the weakening of farmworker trade unions and Non-governmental Organisations (NGOs) as a result of the crisis. Given the weak levels of self organisation and low levels of political capital, these organisations have played key roles in supporting farmworker struggles for better lives.

As the work force shrinks, the trade union membership base will reduce likewise, which in turn will undermine the revenue bases required by unions to do their work. NGOs, on the other hand, remain largely dependent on financial grants from northern-based donor agencies. As the crisis hits the north, the resources available for development aid have already started decreasing, leaving many NGOs facing an uncertain future.

Moreover, as the consequences of the economic crisis take hold, the widespread social problems that had already existed within the farmworker community are likely to intensify. An increase in alcohol dependency has become particularly marked with a growth in the number of babies born with Alcohol Foetal Syndrome. Linked to the issue of alcohol dependency is the intensification of gender-based violence and HIV infections.

With growing unemployment, the already heavy burden on women to take care of families has increased. For farmwomen who have replaced men as temporary workers, their new role as income earners has not freed them from the domestic and reproductive roles at household level, where entrenched gendered divisions of labour prevail. In the context of the HIV/AIDS pandemic, women have also taken on the role as caregivers to those infected. This has had a further impact on the livelihood prospects of young girls who have had to shoulder the kind of increased domestic responsibilities not expected of boys, reducing their educational opportunities, leisure time and future prospects.

### Conclusion

While it is clear that the livelihoods of farmwomen were already vulnerable before the economic meltdown, the current crisis presents a kind of

livelihood shock farmworker families are unlikely to be able to recover from without significant external support.

The global economic crisis has created such uncertainty that encourages government not to deviate too dramatically from its existing neo-liberal informed economic policy for fear of creating further risks. It is therefore not without irony that the very system that has produced the crisis in the first instance seems to be consolidated at the expense of the poor.

## References

- Action Aid & Women on Farms, 2005. *Rotten Fruit: Tesco Profits as Women Workers Pay the Price*.
- Hattingh, S., 2008, *The Struggle for food in South Africa: Entrenching the Legacy of Apartheid*. [www.monthlyreview.org/mrzine/hattingh230808.html](http://www.monthlyreview.org/mrzine/hattingh230808.html) 14th August 2008
- IFAD, 2009: International Fund for Agricultural Development (IFAD), Sustainable Livelihood Approach, <http://www.ifad.org/sla/>.
- National Department of Agriculture, Economic Research Division, 2009. Effects of the Global Economic Crisis on Agriculture: A Focus on Investment. [www.nda.agric.za/.../Economic.../EffectsOfFinancialCrisisOnAgricultureAFocusOninvestment.doc](http://www.nda.agric.za/.../Economic.../EffectsOfFinancialCrisisOnAgricultureAFocusOninvestment.doc).
- Nkuzi Development Associates and Social Surveys, 2005. Farmworker Evictions in South Africa.
- Statistics SA, 2007, Agri Census 2005.
- Statistics SA, 2002, Agri Census 2002.
- Umhlaba Development Services, 2004. *Situational Analysis of Farm Dweller Housing Options*.
- Women on Farms and Centre for Rural Legal Studies, 2008. *Going For Broke: A Study of Labour Brokerage in the Fruit Sector of Grabouw*.
- Women on Farms and Labour Research Service, 2005. *Behind the Label II: The More things Change, the More they Stay the Same*.

---

*Perspectives* is published by the HBS Southern Africa Office in Cape Town. The views expressed in this publication are those of the authors and do not necessarily reflect the views of the HBS. Hard copies of *Perspectives* are available from our Cape Town office, and electronic versions at [www.boell.org.za](http://www.boell.org.za). Please send us your comments or suggestions to [info@boell.org.za](mailto:info@boell.org.za)

**Edited by** Paula Assubuji, Jochen Luckscheiter and Keren Ben-Zeev

**Layout & design** Catherine Coetzer, c2designs

**Proofreading** Leah van Deventer

Heinrich Böll Stiftung Southern Africa, 123 Hope Street, The Avalon Building, Gardens 8001, Cape Town, Tel. +27 (0)21 – 461 62 66, Fax +27 (0)21 – 462 71 87 [www.boell.org.za](http://www.boell.org.za)