2006 Transformation Audit

Money and Morality

Accountability and the Auditor-General

The New Establishment: old connections

Means-based affirmative action

Maladministration undermines delivery

Schooling reforms – reading the signs

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Money and Morality

Edited by Susan Brown

Institute for Justice and Reconciliation

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PREFACE

The market can never be an adequate substitute for morality; hence, the importance of 'Money and Morality' as the theme of this year's Transformation Audit. There cannot be an efficient market unless people have reason to trust one another. Honesty and integrity are essential to ensure fair competition between individuals and businesses, while a fair price for labour, services and commodities is a priority to ensure the kind of efficiency and economic well-being that we all desire.

This is the third of the Institute for Justice and Reconciliation's annual Transformation Audits. Last year we stressed urgency, as did others, to ease the complicated regulatory burdens on small, medium and micro enterprises. Mechanisms are now in place for reviewing these regulations under the provisions for the Accelerated and Shared Growth Initiative for South Africa (ASGISA). We welcome this policy response.

These are indeed volatile times. Last year's Transformation Audit warned of debates and contention arising in the ruling party, and noted that 'it is increasingly part of popular public perception that policy is made and implementation managed from behind closed doors, often on the basis of internal party politics, involving political connections, favouritism and power trade-offs'.

The momentum of challenge has increased under the rubric of the Zuma trials and the ruling party's leadership succession, but is no longer limited to them. Increasingly, the issue is depicted as a changing of the guard. This year has seen organised challenges to the present political leadership, its policies and its style. The interests of the poor, workers and youth are counterposed rhetorically against those of the ruling, exile and empowerment elites.

As we point out, these challenges to the old, secretive, disciplinarian style of the ANC in exile are couched in the mode of the UDF of the 1980s – organiser-driven, popular and populist, with ad hoc songs and speeches, built around mass events and mobilisation.

A major driver of dissent may be the high South African levels of inequality, with a Gini coefficient of 0.58, which is among the highest in the world. It is a truism among the masses that it is the politically (and otherwise) well-connected few who are getting rich.

The thematic focus of the Transformation Audit this year enables us to present, in addition to our regular research updates, some studies relevant to that concern of many South Africans: enrichment and official malpractice. This covers a spectrum ranging from legal corruption, inertia and neglect through to mismanagement, self-enrichment and criminal corruption on the part of officials.

This year, we also provide an indicative list of the 'new establishment', identifying some of the networks of social capital associated with political, struggle and business elites.

We acknowledge with appreciation the generous financial support for the 2006 Transformation Audit, provided by the Conflict and Governance Facility (CAGE, a partnership project of the European Union and the National Treasury) and Investec Asset Management.

Charles Villa-Vicencio
Executive Director
Institute for Justice and Reconciliation

INTRODUCTION

VOLATILE TIMES: A SEASON OF GRIEVANCE

Susan Brown

The President's state of the nation address this year had as its theme 'a season of hope', and so indeed did the numbers he provided: progress in empowerment, fighting poverty, job creation, the African Renaissance. The Accelerated and Shared Growth Initiative for South Africa (ASGISA) was announced, with major infrastructure investment and several ways and means to ramp up growth and thereby stimulate job creation. By that time already, early in 2006, such reassurance was needed. Noting restiveness in the ruling party about the perceived closed-door character of policy formation and management, the 2005 Transformation Audit introduction concluded that 'the character of economic transformation would seem to be hostage to political transformation'.

This appears to be the case. The prospects of implementation or success in a number of interventions will be affected by the omnipresent implications of the finally open leadership challenge in the ruling party. The dilemma here is that this Presidency has another four years to run, although the leadership issue will be decided late in 2007. However, in a number of institutions, especially weak departments and provinces, it is already difficult to obtain decisions or action on policy, as officials avoid raising their heads above the parapet, seeking to avoid giving offence to whoever will hold their jobs in his hand.

At the same time, it must be remembered that a public opinion survey conducted in January and February 2006 found President Mbeki's job performance approval ratings, at 77 per cent, to be as high as those of President Mandela at a comparable stage (Afrobarometer 2006a). Approval of policies was high, notably with 65 per cent approval for economic policies, though not for job creation at 28 per cent. Approval of elected officials was near or over 60 per cent, with the exception of local government councillors at 38 per cent. Similar findings were returned by other surveys.

The Transformation Audit Scorecards, too, show some economic basis for a season of hope. The Transformation Audit series – published each year, and tracking the macro- economy, labour, education, and poverty and inequality with key indicators for each – sets out to show how far South Africa has come in terms of economic transformation, how far we have to go, and what the critical success factors are. The Audit focuses on the outcomes of policy change – its impact on the macro-economy, on the population profile and on areas of essential intermediate transformation.

The 2006 Transformation Audit Scorecards, shown at the beginning of each chapter, are broadly positive. The economic indicators and trends, with the exception of inflation, which is slightly up, are positive, including the numbers of African professionals and managers as indicative of a broadening base of economic participation. The labour market scorecard shows jobs up by over half a million since last year, although the dreadful employment differential between men and women is also slightly up, at 1.48. Education gains are slight, but all trends are positive. Access poverty shows slight annual changes, but large positive developments over ten years ago – except in the case of HIV/AIDS, with the prevalence rate up to 10.9 per cent.

The income poverty and inequality scorecard shows marginal improvements over the previous year; indeed, the overall improvement since the early 1990s is woefully small (this scorecard uses the All Media Products Survey data, which enables a comparison going back to 1990, whereas Stats SA's data is not comparable that far back). The Gini coefficient, measuring inequality, is near the highest in the world, with that for the African population, at 0.68, higher than that for the population as a whole.

We have a picture of slow aggregate change, with dramatic improvements for a few; this, together with the HIV/AIDS level, which erodes social capital especially among the poor, could be a generator of resentment based on rising expectations and awareness of change, especially if systematically mobilised.

In her review of developments in the analysis of poverty and inequality, Megan Louw discusses economic thinking on the emergence of public grievance in a situation where, as she argues, material conditions have been improving for the poor. One analysis focuses on measuring widening polarisation, which theoretically would increase the likelihood of mobilisation and collective action; this would apply to the total workforce, within the African workforce and to workers in urban areas. Given that some 10 million South Africans are now receiving grants of various kinds, the government might expect resentment to decline; but another factor is the likelihood that people do not see a grant as the equivalent of a job and increasingly resent inadequate job creation (Louw cites Sen's observation that poverty cannot be measured by deprivation alone). Further, poverty is relative, especially in the way it is experienced; in a fluid and changing situation, in which one's peers are gaining advancement, those who are not feel their relative deprivation more acutely.

Whatever its cause, popular discontent remains a significant concern, and a frequently cited element in the perception of deprivation is that corruption or special favours are involved in excluding the deprived. The Afrobarometer survey shows that only 45 per cent of all South Africans believe that the government is fighting corruption well or very well, although the proportion who felt that all or most national government officials were involved in corruption dropped from 50 per cent 1997 to 21 per cent in late 2004. A majority continue to rate the police as corrupt. Perceptions of faults in delivery, especially of housing, played a powerful part in the unrest that dogged municipalities in 2005/06.

MONEY AND MORALITY

In principle, the IJR's Transformation Audit seeks to measure our progress towards becoming a country growing sustainably both in prosperity and towards equity. We set out to provide an interdisciplinary and holistic national analysis, rather than treating the four key elements that we track closely – the economy, labour market, human resources, and poverty and inequality – as separate issues, for they interlink in a crucial way. The roadblock to effective transformation in South Africa is poverty. This is perpetuated by non-functioning local and national institutions, and by high unemployment, compounded by skewed growth, which is constrained by the skills mismatch bequeathed by inadequate education and skills provision, and by insufficient investment.

'Money and morality', the thematic focus of the Transformation Audit this year, enables us to present some studies relevant to this anxious, or angry, concern of many South Africans: enrichment and official malpractice. Malpractice, in this broad sense, ranges from legal corruption (discussed below), inertia and neglect, through to mismanagement, self-enrichment and criminal corruption on the part of officials. It is a truism among the masses that it is the well-connected few who are getting rich, as a result of political or other connections. The values of solidarity and mutual protection of the struggle years can become distorted in the context of access to public resources.

Corruption comes in more varieties than suggested by the conventional definition of 'abuse of public office for private gain'. It covers a spectrum extending from gross extortion and embezzlement through nepotism to maladministration and mismanagement through to legal corruption. Legal corruption is described by Kaufmann and Vicente (2005) as 'arising when the elite prefers to hide corruption from the population':

> *it is viewed as a collusive agreement between a part of the agents of the economy who, as a consequence, are able to swap (over time; we present a repeated game) in terms of positions of power (i.e. are able to capture, together, the allocation process of the economy.) The most direct and common example of this agreement ... is the one where a politician has close 'connections' to the private sector and both exploit such connections for mutual benefit. These two parties may exchange favours over time.*

A key element of legal corruption, as defined and tracked in this way, is that the relationship persists. A given individual may rotate in or out of government positions, but the net effect is that the partnership predictably wins out in any contractual competition over outsiders. So, unlike in a more authoritarian context where contracts and benefits are simply awarded to the regime's contractor of choice, in this case the ritual of open competition is followed. It was such a set of relationships that Brett Kebble appeared to intend constructing.

In the case of local government, however, South Africa appears threatened by a spoils system. The acuteness of competition for councillor status and access has resulted in a situation in some towns where not just an incoming party, but factions within the ruling party locally and provincially expect automatically to replace incumbents connected to other factions, whether capable or not.

Discussion surrounding the ANC leadership contest (especially at the recent Cosatu congress), which clearly indicates the assumption that a new leader would establish his own troop of followers, regardless of the capability of incumbents, is a signal that the South African political system has moved some distance down the road towards a spoils system. Changes in provincial leadership, even within the ruling party, already often see a changing of the guard. In the case of changes between parties, as in the Western Cape, the discontinuity between regimes is such that technical stalwarts are discarded and institutional memory is lost, to the detriment of the citizens. On the other hand, in any ruling party where senior members outnumber both technical skills and available employment, it is predictable that members will activate their social capital to gain and retain careers.

Weakness of prosecutorial will, but also of capacity and resources, has ensured that many anonymous and not a few high-profile cases, including commercial ones, have failed. Local and foreign investors will be tempted to see the candidacy of former Deputy President Zuma as a watershed indicating impunity, since he would have been excluded from formal politics in most democracies after having featured in the first Shaik judgment. Consequently, the finding on the Shabir Shaik appeal will be particularly important in this regard.

Debates about policies are formulated as critiques of personalities – one of the standard tactics of democratic politicking. Populist crowd management outside the Zuma trials and during the Cosatu congress in September was highly reminiscent of the UDF style. There was unobtrusive preparatory contact with sympathetic officials, spreading by sympathisers of a dramatic version of events by word of mouth, as well as ready-composed songs, singers and speeches. It began to appear as though the opposition to the ANC president from within his party and the alliance, based on a criticism of him as a technocrat and 'distant elitist', was drawing on UDF experience to oppose a leader perceived as secretive and disciplinarian.

Although the Cosatu and some of the SACP leadership enthusiastically embraced and appeared to take credit for the dropping of charges against Jacob Zuma, it is worth remembering that his established supporters include a number of businesspeople, and the carefully projected image of Zuma as being in debt to the labour movement in fact masks the fact that they are in competition with other interests.

Legal corruption via connectivity, spoils systems at local government level, and prosecutorial incapacity are key elements characterising the evolving South African system. With the uneven allocation of resources to institutions and the absence of political will to hold office-bearers accountable, public perception is that sanctions for malpractice depend on the degree to which the practitioner is connected to senior leadership.

CHAPTER 1: ECONOMIC GROWTH AND DEVELOPMENT

South African policy is still wrestling with the need for higher growth, despite having performed better, for longer, than ever before. Key elements of this are the need for employment generation, and to maintain the opening of opportunities to black South Africans, as well as to shift growth from its present predominant base of consumer debt to one of investment, as Yolisa Koyo-Leballo points out.

ASGISA reflects considerable thought about the factors that have been holding back South African growth. The initiative's major power and transport network expansion is planned to bring excluded areas into the economic web, and to make production for export easier. Economic empowerment of the excluded, if it is to succeed, demands a geographic expansion of opportunities and, above all, a viable urban transport network – hence, the upgrading of education and the expansion of skills planned for in ASGISA. The primary vulnerability of the programme is its attempt to address all of the weaknesses of the present economic policy.

The government's attempt in 2005 to modify labour legislation to make labour less costly and exports more competitive has provoked a political backlash, but other elements of industrial policy are under construction. There is a sense of desperation about the drive to create the necessary jobs, which one hopes will not be counterproductive.

The proposals for restructuring the provincial government system smack of social engineering. As a whole, provinces are expensive and underused. They are relatively unsuccessful at administering health and education and, in many cases, effectively are mechanisms for dispensing patronage. However, the threat by the Minister of Provincial and Local Government to dispense with some of them is unlikely to improve matters. As shaky as they may be, they reflect the politics and available capacity of their areas. Infuriating all of these vested interests will not enhance the ability of the structures needed to deliver on district and local level. Rather, strengthen the cities and other points of delivery.

Confidence is an essential element for growth, and South Africa's legal infrastructure is one of our advantages as an African target of investment, local and foreign. The strength of the Auditor-General's office is also a distinguishing factor in accountability, as is the fact that the AG's reports are placed in the public domain and relayed by the media. At present, evidence that the public service is subject to meaningful legislative controls is validated by the effective functioning of the AG's office. What is required, however, is more action on the basis of his reports. Established under the Constitution, the office of the AG was created to report to Parliament, while maintaining financial independence by charging its expenses to those it investigates. Grace Hong discusses key findings of the AG and the limits of his, and parliamentary, intervention. The audits are produced, and enter the public domain, but holding members of the executive to account rests with the head of the executive.

Clarity about the functions of public service posts, and the skills required for them, would help greatly. The argument that the public service must compete with the private sector has been overused – the public sector is overpaying itself grossly and, thereby, impeding delivery. Conventional wisdom suggests that about 30 per cent of the budget should be spent on salaries, and the remainder devoted to infrastructure development and service delivery. Currently, salaries to councillors and municipal officials outstrip spending on services by nearly R10 billion. Apart from the detrimental effect on service delivery and infrastructure development, the government is unable to fill vacancies simply because there is not enough money to pay the salaries

Public sector accountability is an essential element of stability. The AG's office is fighting a growing tendency in the civil service to raid the public purse as a political perk. Grace Hong argues that political support for a zero-tolerance accountability policy would improve the system in the long term, although it would require a significant allocation of resources in the short term. Such action would require real political commitment, and resources, rather than rhetoric. To take on the problem, allegations against officials cannot be dropped after unofficial reassurances. Meanwhile, the availability of the AG's reports, and the media freedom that allows them to be publicised and distributed in the public domain, is a rare advantage in Africa. However, greater impact and efficacy of the AG's office depends on public engagement.

Ethel Hazelhurst reviews various ways to estimate the impact of corruption on South African economic life, while Monty Narsoo argues that there is an enduring tension between the notion of a developmental state and a rule-driven state. With huge backlogs and skewed distribution of resources, the imperative to drive development and redistribute resources stumbles against the hurdle of sophisticated accounting rules. It is true that the kind of bureaucratic paranoia about corruption that elaborates procedures to the point that any real action is penalised is counterproductive.

For the first time, the Transformation Audit has assembled a brief list of some of the more prominent of the new power elite, many of whom rose creditably through the struggle. All social systems operate through networks of social capital, and the 'new establishment' chart lists some key members of an emerging network that combines economic and political leverage. It is hoped that this may prove to be of use to analysts.

CHAPTER 2: EMPLOYMENT AND INDUSTRIAL POLICY

A victory of a kind in the field of job creation is that at last the number of new jobs created is level with the number of new entrants to the job market. It appears that the great burst of new job seekers onto the market in the 1990s, which substantially contributed to the still-high unemployment numbers, has been processed.

One of the major policy challenges has been to ensure a steady increase in employment, a vital element to improving social conditions. Morné Oosthuisen reports that the past decade has seen a considerable increase in employment, from 9.5 million jobs in 1995 to 12.3 million in 2005, an increase of almost 30 per cent over the period, although the extent to which the increase is a reflection of better measurement is unclear. With a continuously expanding working-age population and increased participation in the labour force, however, employment growth pales in comparison with the growth in broad unemployment, which almost doubled to 7.8 million over the same period. As a consequence, 38.8 per cent of the labour force is unemployed, according to the expanded definition of unemployment. Nevertheless, this is approximately 3 per cent lower than the 2003 level, so an optimist could see gradual progress.

Reviewing the mechanisms of affirmative action policies designed to transform aspects of the labour market, Sumeet Jain outlines the new BEE codes. He argues that it is necessary to create a blueprint for an enduring affirmative action plan. Instead of implementing race-based affirmative action indefinitely, a shift in due time, once proportionate representation has been attained, to a means-based affirmative action policy, which will serve the goal of employment equity enduringly, will need to be devised to prevent unjust advantage on the part of interests whose gains have been consolidated.

Meanwhile, as Martin Wittenberg warns, the temperature and intensity of political activism on the part of Cosatu has been rising with the ANC succession contest – as two-thirds of government employees are unionised, and are paid a substantial premium over those outside government, this has considerable implications.

CHAPTER 3: EFFECTIVENESS IN EDUCATION

This year, the National Minister of Education advanced three priorities that will drive the expansion of spending in the education sector in the medium term. By 2008/09, South Africa will be spending R112 billion per year on public provision of education, which is the largest spending on a single sector, and over R26 billion more than the allocation for the current fiscal year. Alta Fölscher sets out the priority programmes undertaken.

Nick Taylor focuses on efforts to upgrade education, and maps the types of school in South Africa. He argues that the school system consists of three classes of institution, and reports that research information about the characteristics of the respective sectors is guiding the formulation of a differentiated set of responses to the problem of school quality. A tiny band of schools situated in the poorest communities provide some of the highest quality education. They are performing heroic deeds under difficult conditions, and serve as role models for the rest of the system. A second group of schools, also mainly situated in the townships and rural areas, is on the way to excellence. Nevertheless, the highest priority must be to develop strategies for improving quality in the poorest performing schools, whose difficulties so far have proved intractable.

A major issue that the Education Department will have to deal with sooner or later is the vexed one of incapable teachers and, worse, of incapable principals who will actively block attempts to reform their schools or to displace themselves, at the expense of generations of learners – a form of corruption.

Social mobility from generation to generation – as influenced by educational qualification – indicates access to opportunity and how the current generation of African youth is overcoming or being hampered by historical disadvantage. Providing analysis of this dynamic, Megan Louw, Servaas van der Berg and Derek Yu argue that social mobility represents one of the major forces driving change in the distribution of income.

CHAPTER 4: CASES OF MISMANAGEMENT

It is probable that poverty has declined significantly since the turn of the century. However, South Africa's persistently high level of inequality may have gained momentum as a source of social discontent, with labour and other urban unrest featuring prominently in the news during the first half of 2006. Is such social dissatisfaction symptomatic of rising expectations, or does it indicate that the situation on the ground has not improved to the extent that the data suggest, Megan Louw asks, examining both data and explanations for the discontent.

Martin Nicol, Zandile Gubeni and Leo Makgamathe investigate the dynamics of mismanagement behind two cases: the sanitation crisis in Cape Town and the power failures in Johannesburg. Their case studies deal with the collapse of core services in South Africa's two wealthiest and best-resourced cities. The complex institutional environment must be recognised in both cases, as must the political environment, in which care of a city's essential infrastructure can be traded off against pressure to reduce inequalities between neighbourhoods.

Local government has been an unreliable custodian of existing infrastructure. Maintenance is neglected and planned capital spending is delayed to such an extent that expensive replacement of infrastructure becomes necessary. In areas with rapid growth in demand, key facilities are constantly close to failure. This does not apply only to local government; it includes the provincial and national spheres, and the state-owned enterprises. However, in such cases it is not useful (or possible) to ascribe the problem simply to corruption. While corruption is certainly a feature of the problem in many well-publicised cases, the central issue is maladministration.

ACRONYMS

AG	Auditor-General
AMPS	All Media Products Survey
ANC	African National Congress
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BBBEE	broad-based black economic empowerment
BEE	black economic empowerment
CMA	Cape Metropolitan Area
CMC	Cape Metropolitan Council
Cosatu	Congress of South African Trade Unions
CPI	Corruption Perception Index
CSIR	Council for Scientific and Industrial Research
DA	Democratic Alliance
DBSA	Development Bank of South Africa
DWAF	Department of Water Affairs and Forestry
ENE	Estimates of National Expenditure
FDI	foreign direct investment
FET	further education and training
GAMAP	Generally Accepted Municipal Accounting Practices
GCIS	Government Communication and Information System
GJMC	Greater Johannesburg Metropolitan Council
HG	Higher Grade
IDP	Integrated Development Plan
IES	Income and Expenditure Survey
IJR	Institute for Justice and Reconciliation
JSE	Johannesburg Stock Exchange
MLC	Metropolitan Local Council
MP	Member of Parliament
MTEF	medium-term expenditure framework
MTIEF	medium-term income and expenditure framework
NER	National Electricity Regulator
NERSA	National Energy Regulator of South Africa
PFMA	Public Finance Management Act
RED	Regional Electricity Distributor
SACMEQ	Southern and Eastern African Consortium for Monitoring Education Quality
SALGA	South African Local Government Association
SBA	standards-based accountability
SG	Standard Grade

Chapter 1

ECONOMIC GROWTH AND DEVELOPMENT

CHAPTER OVERVIEW

In the course of 2005, the South African economy, driven by consumer spending, reached growth of over 5 per cent for the first time. The Accelerated and Shared Growth Initiative for South Africa (ASGISA) was devised to lift growth above the 6 per cent mark, notes Yolisa Koyo-Leballo.

Public sector accountability is an essential element of stability and confidence. The Auditor-General's office is fighting a growing tendency to raid the public purse as a political perk. Grace Hong argues that political support for a zero-tolerance accountability policy would improve the system in the long term, though it would require a significant allocation of resources in the short term. Such action would require real political commitment, rather than rhetoric. To take on the problem, allegations against officials cannot be dropped after unofficial reassurances. Nevertheless, the availability of the AG's reports, and the media freedom that allows them to be publicised and distributed in the public domain, is a rare advantage in Africa. However, greater impact and efficacy of the AG's office depends on public engagement.

Ethel Hazelhurst reviews various means of estimating the impact of corruption on South African economic life. Monty Narsoo argues from the perspective of a post-1994 activist civil servant that there is an enduring tension between the notion of a developmental state, where the delivery of goods and services is of the essence, and a rule-driven state, where governance and accountability are paramount. In the light of huge backlogs and skewed distribution of resources, the need to drive development processes and redistribute resources causes pressure against accounting rules.

All social systems operate through networks of social capital – the links, loyalties and human connections that motivate and advance people. The chapter ends with a 'new establishment' chart, which sets out to list some key members of an emerging network that combines economic and political leverage.

Economic performance scorecard

Transformation goal	A stable, broad-based economy, growing at a rate that creates wealth, given population growth				
Desired outcome	**Indicator**	**Status 1990–1994**	**Status 2005**	**Status 2006**	**Direction of change**
Growth	Real GDP per capita [1]	R20 127 (Ave. 1992–1994)	R22 622 (2004)	R23 403 (2005)	↑
Stability	CPI inflation rate [1]	9.3% (1994)	1.6% (2004)	3.3% (2005)	↓
Ability to access markets	Real exports [1]	R170 602 million (Ave. 1992–1994)	R270 214 million (2004)	R288 190 million (2005)	↑
Broadened base	Managers and professionals who are African [2]	216 772 (1995)	359 438 (2004)	444 020 (2005)	↑
Investment	Real aggregate investment [1]	R102 784 million (Ave. 1992–1994)	R192 462 million (2004)	R202 778 million (2005)	↑

1. *Source*: <www.reservebank.co.za> accessed 3 August 2006
2. *Sources*: Stats SA, *October Household Survey 1995; Labour Force Survey*, September 2003, September 2004, September 2005

The Economic Performance Scorecard and Star provide a snapshot impression of changes in indicators of economic growth, stability, competitiveness and broadening of the base of the economy. Except for inflation, all scores show an improvement over the early 1990s baseline, as well as over the scores for 2005. At 3.3 per cent, the year-on-year change in the consumer price index (CPI) is still better than the equivalent score for 1994 (9.3 per cent), but worse than the rate of 1.6 per cent in 2004 (Status 2005, above).

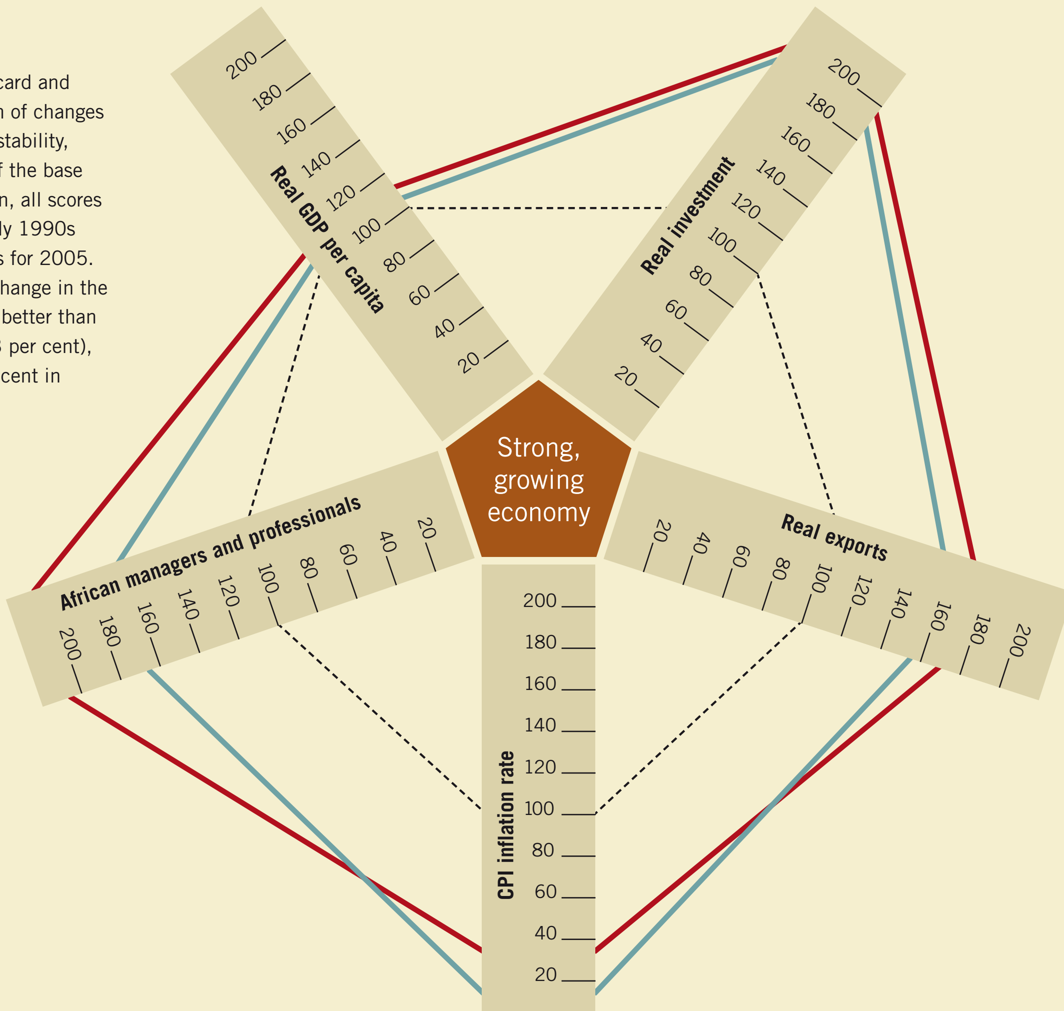
INTERPRETATION GUIDE

Desired direction of change

Score early 1990s (=100)

Status 2005

Status 2006



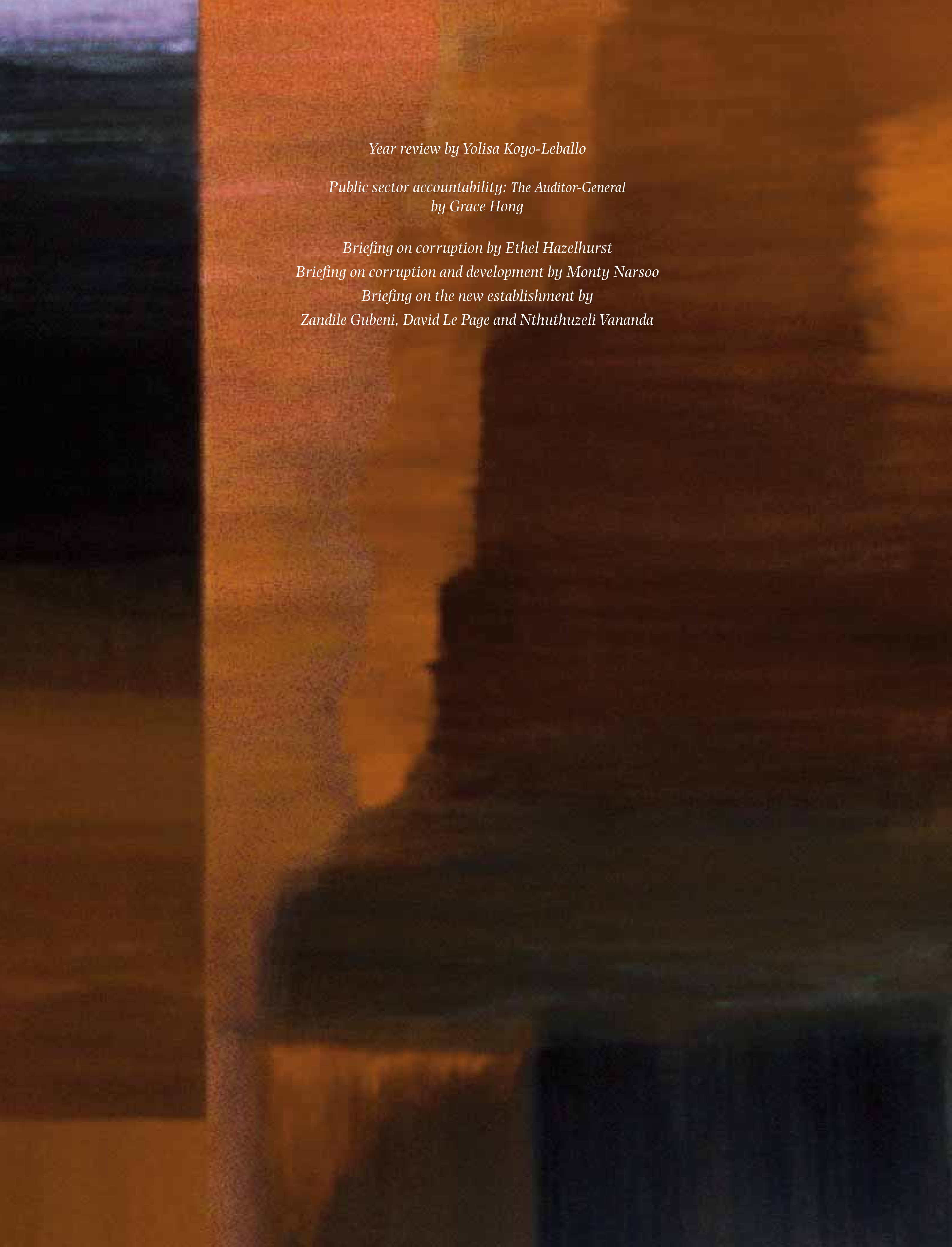
Year review by Yolisa Koyo-Leballo

Public sector accountability: *The Auditor-General*
by Grace Hong

Briefing on corruption by Ethel Hazelhurst

Briefing on corruption and development by Monty Narsoo

Briefing on the new establishment by
Zandile Gubeni, David Le Page and Nthuthuzeli Vananda



review

CHANGING GEAR

Yolisa Koyo-Leballo

In the course of 2005, GDP growth exceeded 5 per cent for the first time, and there was hope early in 2006 of it reaching and maintaining the magic 6 per cent – the growth rate that the government believes can resource a sustained drawing of the unemployed and dispossessed into the first economy. The first quarter of 2006 was another milestone for the South Africa economy – its 25th consecutive quarter of uninterrupted economic growth, a record-breaking upward economic run that began in September 1999.

Dovetailed with an enabling environment that has avoided recession, this lengthy stretch of economic growth, the South African government argues, vindicates its macroeconomic strategy and has fostered private sector stability and growth. GDP growth has remained strong: real GDP grew by 3.7 per cent in 2004, by 3.5 per cent in the first quarter of 2005, and has managed to grow to 4.9 per cent in the second quarter of 2006 (*Business Report* 17.08.06). Meanwhile, inflation has stayed in the 3–6 per cent range since the end of 2003, with the headline inflation rate at 5.0 per cent in 2006. The Bureau of Economic Research reports that business confidence rose from 82 to 85 in the second quarter of 2006, despite two rate hikes.

This level of political and macroeconomic stability led to South Africa's credit ratings being upgraded by Moody's. 2005 also saw record foreign direct investment (FDI) through major multinational involvement in the economy, such as the Vodafone-Vodacom and the Barclays-ABSA deals with a combined value of R48 billion. This level of investment is unlikely to be repeated, however, with recent World Bank predictions of FDI investment in South African at some R6 billion annually.

Growth has been driven by runaway consumer spending, though by midyear 2006 there was some indication that infrastructure investment was starting to play a part. Interest rates remained low for the first third of the year, with lower debt servicing costs maintaining buoyant consumer confidence and spending. Property prices continued to increase, though more slowly after two 50 basis points rate hikes after May. Consumer consumption fell off only marginally after the interest rate increases.

As a strong indicator of broader benefits of this economic growth, the January 2006 *Labour Force Survey* recorded that in the year ending 30 September 2005 the South African economy created 658 000 new permanent jobs (Stats SA 2006). Given that the primary critique against the government's economic policy for years has been that growth in the economy has been 'jobless growth', this level of job creation, the means to inject wealth into the lives of poorer South Africans, was a major gain.

EXTERNAL FACTORS

External factors beyond the control of any South African policy are always potentially disruptive. Domestic economic growth has been hampered by tensions in the Middle East, with conflicts in Iraq, Israel, Palestine and Lebanon causing high and unpredictable oil prices during 2005, which have continued throughout 2006. Periodic fuel refinery supply disruptions, which have occurred in South Africa, have proved to be more of a threat than an impediment to economic activity.

The sustained commodities boom, which has benefited the mining sector, in particular, seems to be ending. The price of gold is beginning to slide, which will have an effect on the many marginal gold mines – and on those they employ.

A drop in the rand was triggered in May by a blip in worldwide investor confidence in emerging market currencies. This caused the rand to fall to R6.60 to the US dollar in May, after which concern about the South African balance of payments (the consumer spree had increased imports) caused it to drop further, and set off a period of volatility; while a cheaper rand benefits exporters, the uncertainty generated by volatility tends to damage both investment and industrial growth.

CONSUMPTION AND CREDIT

Along with business confidence, consumer confidence has remained high. While this has fuelled growth and record profits, particularly in the retail sector, there are threefold grounds for concern: inflation; citizen indebtedness; and the deficit on the current account of the balance of payments, fed – like that of much of the rest of the world – by cheap Chinese imports paid for on retail credit.

An increasing concern for the Reserve Bank's Monetary Policy Committee has been the continued strength of domestic demand, epitomised over the past two years by the growth in household spending by almost 7 per cent, which was fuelled largely by an average 20 per cent growth in credit extension, resulting in household debt of 66 per cent of disposable income by the end of the first quarter of 2006 (*Business Report* 17.08.06). This rapidly increasing reliance on credit has been at the expense, naturally, of the national savings rate, which has never been high.

Both weighty consumer debt and the current account deficit are feeding inflation. Worse, from the point of view of the Reserve Bank, continued high consumer spending, and wage demands by labour, are already beginning to reflect inflationary expectations, which can drive a vicious inflationary circle. The Reserve Bank is in a dilemma: the only tactic available to it is to manipulate interest rates, but pushing them up too far (as happened in the 1980s) could stall the economy.

Is the increase in interest rates enough? Another necessary change in strategic approach is the government's promotion of a savings culture. The introduction of mass banking, with the government pressuring the big retail banks to offer cheap access to bank accounts, aims to use increased domestic savings as part of an integrated approach to growing the economy – as opposed to the current over-reliance on credit, which has a negative, inflationary effect that is felt first and most harshly by the poor.

THE DEVELOPMENTAL STATE AND ASGISA

In the course of 2005, prominent members of the government and the ruling party urged a transition from the Growth, Employment and Redistribution (GEAR) policy to that of a developmental state – a response to jobless growth and rising inequality, with a programme of measures to be delivered by an interventionist state. It included proposed changes in labour law; this activated the labour movement, especially the Congress of South African Trade Unions, a member of the congress alliance with the ruling party, spurring increasingly confrontational challenges to the present regime.

However, in the President's State of the Nation address, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) was announced. Driven by the Deputy President, ASGISA aims to blast through a number of growth and development bottlenecks, spending R372 billion on public infrastructure over the next five years.

These bottlenecks or 'binding constraints' include: currency volatility; the national logistics system (the transport and communications grids); and skills, education and training. Additional infrastructure programmes like the Expanded Public Works programme, are proposed, as are improvements in administrative capacity and industrial policy. Other elements due for improvement are state capacity and the deregulation of small enterprises.

ASGISA aims to speed up delivery of key economic and social infrastructure as a way of dealing with some of these constraints. The planned large-scale infrastructure delivery is designed to generate steady demand for goods and services. This will bring about a range of improvements to systems like enterprise development and accelerated education and training. The objective is to raise growth above the 6 per cent that the government believes is required for dramatically improved job creation.

BROADENING BEE

The main black economic empowerment (BEE) Codes of Good Practice have been finalised by the Department of Trade and Industry (DTI). However, the course of the year saw considerable interrogation, especially by labour and the left, of the present pattern of implementation of BEE deals. These were seen as extremely narrowly based, and favouring those with direct connections to the powerful. Beneficiaries of major deals were referred to as oligarchs, and the President, in an important speech, condemned immoral greed and conspicuous capitalist consumption as un-African.

The Black Business Executive Circle (BBEC), a grouping of prominent black business people, released the following research findings (among others) at the BBEC Conference in October 2005:

- Only five companies on the Johannesburg Stock Exchange (JSE) have more than 51 per cent black ownership, which is valued at R4.6 billion (equivalent to 0.2 per cent of total JSE market capitalisation).
- Only22 companies on the JSE are between 25 per cent and 50 per cent black owned, to the value of R18 billion (equivalent to 0.78 per cent of market capitalisation).
- Only27 companies on the JSE are 25 per cent or more black owned, to the value of R23 billion (equivalent to 0.98 per cent of market capitalisation).

This does not reflect pension, insurance and investment fund holdings, nor that the great majority of companies are not represented on the JSE; in fact, since the late 1990s and the Asian crisis, BEE entities have shown a pattern of delisting from the JSE. Nonetheless, it indicates low participation by 80 per cent of South Africans in the major mechanism for mobilising finance.

EMPLOYMENT EQUITY

The public is informed repeatedly that the economic fundamentals are in place and that as a country we have never had it so good. The real question, however, is who has never had it so good. The answer – the skilled and the employed. Certainly, black youth have grounds for discontent, with 75 per cent under the age of 35 unemployed, of whom 73 per cent have never worked.

In the labour market, employment patterns continue to shift towards demand for higher skills, as the service sector becomes proportionately larger. The net effect is that job seekers with limited or no specific skills are increasingly marginalised. In the 2006 report of the Commission for Employment Equity (CEE), results show that white representation has increased, especially in the professional categories, and that whites (particularly males) have supreme control at higher levels within the corporate sector, with 73 per cent white and 27 per cent black (African, Indian and coloured).

In 2002/03, when the *Transformation Audit* first reviewed the CEE's report, 18.4 per cent of top managers and 22 per cent of senior managers were black. However, we cannot validly compare this year's annual employment equity numbers with those of previous years, because the 2002/03 percentages were calculated from 8 250 employer reports, while this year's percentages were drawn from 2 085, according to the Labour Minister, who castigated companies that had not submitted their reports.

Each year, more companies employing over 50 people should be submitting reports on their employment equity plans and on advancement of black individuals at different grades of employment. Timely and accurate information on employment equity is an important policy tool.

CONCLUSION

Despite disagreement about the desirable elements of a developmental state, consensus remains around the need for consistent and aggressive economic growth. Industrial expansion, broadening the base of the formal economy and quality jobs are the prime objectives of a sustainable, and stable, developmental state. A central debate is the principle of shifting the productive centre of the South African economy from a capital bias to a labour-intensive bias.

However, fears of reduced capital inflows due to presidential succession jitters, increased FDI by South African corporates abroad, and labour market regulations are serious concerns going into the future. The central question is whether ASGISA will succeed in raising the economy to the target of 6 per cent growth, considering the constraints in human resource capacity, governance issues and the risky fact that ability to finance current account deficit depends largely on continuation of capital inflows.

The challenge for policy makers is to ensure that interventions have a far-reaching, sustainable impact in order to broaden economic participation.

research

PUBLIC SECTOR ACCOUNTABILITY: THE AUDITOR-GENERAL

Grace Hong

Public perception of corruption as a political and bureaucratic factor in South Africa is higher than it has been in years. Recently, the government has been faced with Oilgate, a major political funding scandal, the corruption proceedings against former Deputy President Jacob Zuma and the concomitant exhumation of the arms deal once again, the continuing Travelgate investigation, which besmirches Parliament, and the exposure of rampant tender-rigging at all levels of the political system. According to an international survey, there has been a 12 per cent rise in economic crime in the country, while the global average is 8 per cent (*Business Day* 22.06.06). South Africa's ranking in Transparency International's Corruption Index has slumped from 38th with a score of 4.8 in 2001 to 46th with a score of 4.5 in 2005 – where 5.0 is considered the dividing line between corrupt and non-corrupt states.

Despite this, the Office of the Auditor-General (AG) has played an increasingly important role in exposing the incapacity and corruption eroding the nation's democratic institutions. Although the position of AG has existed for more than a century, its previous role as a civil service institution was modified by the 1996 Constitution. Under Chapter Nine of the country's new charter, the AG's office, along with five other institutions, is protected and mandated to 'strengthen constitutional democracy in the Republic'. Reporting directly to Parliament, these Chapter Nine institutions are watchdogs, operating with independence and impartiality and 'without fear, favour, or prejudice'.

The function of the AG, as outlined in the Constitution, is to audit and report on the accounts, financial statements and financial management of all national and provincial departments and administrations, all municipalities, any institution funded from the National Revenue Fund, a Provincial Revenue Fund or by a municipality, and any institution receiving money for a public purpose. With its newfound independence, the AG is empowered, at least in theory, to make all reports available to the public and, in this way, render public accounts transparent, regardless of whether they reflect well or poorly on the government. However, in the face of intense political pressure, revealing the shortcomings of the government and its highest officials is no easy task.

The current AG, Shauket Fakie, now in the final year of his term, has set an important precedent by pointing out areas of government in need of reform and challenging those inappropriately using public coffers for private purposes. Fakie's legacy will be tainted, however, by allegations of a possibly unethical role he was said to have played in clearing the government of wrongdoing in his 2001/02 investigation into the R48 billion arms acquisition deal. However, he subsequently achieved much of importance in fighting corruption on a smaller scale, particularly at the level of local government, where the grossest violations occur and the impact is most acutely felt. Since his appointment in December 1999, he has emphasised 'getting economic crime in South Africa under control', by positioning his office as 'the leader in effective accountability'.

Institutions such as the AG's office are necessary – but not sufficient – to uphold constitutional democracy in a new republic. With deteriorating public institutions, many developing countries are faced with the challenge of strengthening their political institutions to meet public demand effectively. In many cases, this has failed to spur growth and prosperity and has worsened conditions for those already suffering. What are the reasons for these failures, and how should they be addressed?

Many scholars and technocrats have argued that the woes of underdevelopment are attributable to factors that work against democratic and free-market processes. Some point to the legacy of colonialism and the challenges of nation building within territorial boundaries inherited from colonial powers that employed divide-and-rule strategies. Others argue that the persistence of traditional African values provides a more plausible explanation for why the practice of political and social reform in Africa has largely failed – and will fail. This theory posits that in Africa, because group rights are often more important than individual rights, individuals are expected to use their wealth and power to benefit their ethnic group or family. As a result, civil servants may engage in corrupt activities to meet familial and ethnically based obligations. A more positive corollary to this argument is that bureaucratic corruption occurs as a result of the clash between traditional values and the imported norms of modernisation, but that this clash is a passing phase.

This line of thinking paints corruption as an inevitable, unavoidable part of post-colonialism or modernisation, depending on your model. Does this describe modern South Africa? With an unemployment rate of 29 per cent, 34 per cent of the population living on less than US$2 per day, the highest AIDS rate in the world, a troubled history of race relations, and decaying public institutions, South Africa appears to tell the classic tale of frustrated development in sub-Saharan Africa. However, the country bears some striking dissimilarities to its neighbours, differences that make it clear that these all-encompassing theories regarding post-colonial African states do not explain underdevelopment in South Africa. Here the issue is whether South Africa's systems are the problem or whether there is another element driving the deterioration of its institutions.

TEN MAJOR FINDINGS IN 2005/06

The AG's findings over the past year reveal the shape and substance of the problems plaguing the public sector.

Justice system in trouble

An audit revealed that maintenance and inheritance monies intended for the poor, particularly women and children, were not being managed effectively by the Department of Justice and Constitutional Development. The lack of financial management resulted in an 'unreconciled balance' of R134 million and an amount of R44 million recorded as a shortfall; the accounts of 108 courts did not balance, 41 courts had missing or no records, and 120 courts had no bank accounts. As a result, 50 000 single-parent women in the Umlazi and Khayelitsha magisterial districts did not receive maintenance funds owed to them or their children. (OAG 2006a)

SALGA owed R135 million

The South African Local Government Association (SALGA) manages a debtors book of about R192 million, yet R135 million in levies – 71 per cent of the debt owed to SALGA by local governments in the 2005 financial year – had not been collected (OAG 2006b; *Mail & Guardian* 11.07.06). This association, created to assist municipalities with service delivery and performance, relies on municipal funding to carry out its operations. Ironically, the weaker the municipalities, the more SALGA is needed, yet it is in these instances where SALGA's operations are compromised.

Municipalities owed billions

Municipalities do not expect to recover more than half of the R19.2 billion debt they are owed. Johannesburg alone has made a bad debt provision of R7.2 billion. Some municipalities have average debt-collection periods of 500 days. (*Mail & Guardian* 25.06.06)

Abuse of housing subsidies

During the year, 53 426 housing subsidies, totalling R323 million, were granted fraudulently or irregularly. Among the beneficiaries were more than 7 000 government employees with incomes exceeding the threshold for subsidy qualification, 6 708 applicants under the age of 21, an unspecified number with invalid ID numbers, and others who did not qualify or already had a subsidy. In many cases, the original applications had been lost, making it difficult for the AG to investigate. (*Mail & Guardian* 15.06.06)

Limpopo squandered millions

The Limpopo Department of Transport wasted millions of rands on a convention held in Polokwane in 2005. The department failed to budget accurately for the convention, and declared a grossly overstated income of R25.5 million, while it had received only R2.2 million. The department also spent R25.6 million, R3.6 million more than the budgeted expenditure. Fakie found that the department often paid excessively for services, as procurement policies were not adhered to and tenders were unjustly disqualified, with evaluation criteria not applied equally to all bidders. For example, the department paid R1.4 million for cleaning and security services after disqualifying a bid of R300 000. It was claimed that the rejected bid fell below a benchmark, although no such benchmark existed. Management of contracts was also deficient. Companies were paid in advance without departmental approval and for services not rendered. For example, funding for a R5.6-million 10 000-seat grandstand was used on boreholes, irrigation systems and two water tanks. The stadium was never built. (*Mail & Guardian* 23.05.06)

Officials and politicians moonlight as business executives

Across 142 departments, 50 000 public servants, including 14 of the 20 members of Cabinet and 1 672 provincial ministers and senior public service managers, face disciplinary action. This after they failed to disclose fully their business interests in the 2003/04 financial year, as required by the Executive Members Ethics Act and Public Service

Regulations (*Mail & Guardian* 20.03.06, 24.03.06). In Limpopo, where the pilot investigation began, 2 800 government officials, including 22 senior managers, affiliated with the provincial health and welfare departments did not declare conflicts of interest. Eighty-one of them supplied goods and services to their departments through private companies of which they were either directors or members (*Sunday Times* 18.09.05). A subsequent probe into the Mpumalanga provincial government found that senior officials had channelled contracts worth millions of rands into their own companies. More than 1 100 officials had undeclared business interests. At least 30 companies owned by 42 senior officials provided services to the province, and, in many cases, the services were substandard and the companies overpaid. In one instance, the provincial health department paid a catering company owned by an official R3.4 million, although the original tender quoted R1.9 million. (*Sunday Times* 25.09.05)

Trustees remunerated illegally

Members of the Freedom Park Trust's board of trustees were remunerated illegally for their services, with amounts ranging from R10 000 to R86 000 per board member. Honoraria totalling R347 000 were paid for their attendance at board meetings. Yet according to the deed of trust, they are explicitly forbidden from receiving remuneration for their services. A similar situation prevailed at the Windybrow Centre for the Arts; in the past financial year, the chairperson of its board was paid R35 950. The government provided R4.5 million in subsidies during the year, while the theatre generated R102 934 in ticket and coffee shop sales. (*Mail & Guardian* 25.11.05)

Problems with SITA

The State Information Technology Agency (SITA) is riddled with financial mismanagement, including poor controls and misconduct, leading to many instances of 'fruitless expenditure'. Three years ago the agency spent more than R30 million on IT equipment that has yet to be used. Other irregularities relate to the multimillion rand e-Government Gateway project, conceived to develop a single online system through which the public would be able to access government services. It was discovered that SITA had spent R17.9 million irregularly on cellphones, had incurred a R48 million over-expenditure while procuring services for the Gateway project and, at a cost of R32 million, had developed an IT portal that was never utilised. SITA is preparing civil suits against former employees and private entities to recover R59 million lost through mismanagement and tendering irregularities. (*Mail & Guardian* 31.07.05)

Bonuses at parastatals

Fakie has pointed out the 'seemingly exorbitant' bonuses and fees paid to directors and executive members of parastatals, as well as the 'lack of consistency in the reporting' of these bonuses and fees. For instance, the Ikangala Water Board in Mpumalanga used more than its entire budget to cover the director's salary. While the board received R2 million from the government, the salary paid out to the director was R2.7 million. The CEO of Eskom, Thulani Gcabashe, is among the highest paid executives of state-owned enterprises, earning R13 million from this utility in the 2004 financial year. South African Airways head, Khaya Ngqula, drew R6.8 million while also being remunerated as head of the Industrial Development Corporation. (*Sunday Times* 18.09.05)

Tender irregularities at THETA

Despite the many problems plaguing the Tourism, Hospitality, and Sport Education and Training Authority (THETA), the AG's probe focused on the Integrated Nature and Tourism Conservation programme, a R105-million initiative to train 6 500 people. He found that of the six companies awarded tenders, several were not accredited to train people. As a result, outside specialists had to be called in to finish the job. Those who passed THETA courses could wait up to four years to receive their certificates.

SYSTEMS AND COMPLIANCE

In South Africa, a lack of systems is not the major impediment to broad-based growth and effective governance. Possessing a wealth of natural resources, a modern infrastructure and a stock exchange that ranks among the 10 largest in the world, the country accounts for up to 30 per cent of Africa's entire GDP and is among the 50 wealthiest countries in the world. Its financial, legal, communications, energy and transport sectors are well developed. Elections, though only for the white minority until 1994, have been held in the country for over a century, and it is one of the rare African nations never to have experienced a *coup d'état*. Strong systems set the country apart from other African nations. The challenge of capacity building is less about creating the structures themselves than getting state officials to comply with the rules. As the AG has said, 'we lead the pack in many respects', but in implementation 'we come short quite a bit' (*Sunday Times* 05.02.06). A normative shift in thinking and a stronger enforcement regime are required.

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Since the installation of the first democratically elected government, South Africa has passed sophisticated legislation to track public expenditure, setting clear and specific guidelines for local and national departments. One of the most important is the Public Finance Management Act of 1999 (PFMA), which promotes good financial management to maximise service delivery through the effective and efficient use of limited resources. Its key objectives are to:

- modernise the system of financial management;
- enable managers to operate, and at the same time be held more accountable;
- ensure the timely provision of quality information; and
- eliminate waste and corruption in the use of public assets.

The PFMA (as amended) introduced recognised accounting practice, uniform expenditure calculations, and uniform treasury norms and standards. The equivalent legislation regulating local government accounting is the Municipal Finance Management Act of 2003, which aims to:

- modernise budget and financial management practices by placing local government finances on a sustainable footing;
- maximise the capacity of municipalities to deliver services;
- institute sound financial governance by clarifying and separating the roles and responsibilities of executive and non-executive municipal officials; and
- supplement conventional procedural rules with a performance-based system focusing on outputs and measurable objectives.

These laws enhance the AG's oversight of national departments and municipalities. The standards adopted are not self-designed – the AG abides by the internationally recognised auditing standards of the International Organisation of Supreme Audit Institutions. As an external auditor of the United Nations, Fakie is well qualified to design auditing procedures. With an emphasis on internal quality control and external quality review, every major audit system is subjected to internal peer review. Two reputable auditing firms are hired annually to review the quality of audits performed by the AG's office. Given that the systems for tracking public accounts are modern, why are departments and municipalities unable to uphold the integrity of the system?

CAPACITY

Systems developed for the public institutions have failed, to a large extent, because capacity is lacking. This is partly due to limited resources, but the hundreds of millions of dollars spent over the past decade by governments, foreign donors, international bodies and non-governmental organisations each year on capacity building suggests that the problem requires more than a monetary solution.

Over time, political and fiscal decentralisation has changed the function local governments were originally intended to play, and this has hindered service delivery. The common goals of decentralisation are improvements in efficiency, governance, equity, development and poverty reduction; however, in the face of increased overhead costs and popular demands, these goals have yet to be realised. Instead of increasing popular political participation, events of the past year show that municipalities are sites of the massive exploitation of public goods, undermining the role municipalities should play in national development.

Public satisfaction with elected officials is declining sharply as the government fails to deliver. The drop is most pronounced in the case of local government councillors, who received a 51 per cent approval rating in 2004 compared with a 38 per cent approval rating in early 2006 (Afrobarometer 2006a). A recent public survey on government accessibility recorded mixed results. Access to education was ruled to be good, with almost 7 out of 10 people reporting that it was either 'easy' or 'very easy' to place their children in a school. Nevertheless, this represents an 8 per cent drop since 2002. The results were similar for access to identity documents. However, only 59 per cent of respondents felt it was easy to get medical treatment in a state clinic, and 57 per cent found it easy to get household services such as electricity, water and telephone. The results look vastly different when compared regionally. For example, 43 per cent of rural dwellers found it easy to obtain household services, against 66 per cent in cities. In all cases, respondents in the Free State, Western Cape and Limpopo were more likely to have positive experiences with public services, while respondents in KwaZulu-Natal and the Northern Cape were not (Afrobarometer 2006b).

One of the most troubled government institutions is the Department of Home Affairs. Fakie's latest reports on this department are also indicative of dysfunction in other public institutions. The AG reported a breakdown of systems in Home Affairs, citing 'malfunctioning account systems, ineffective debt collection and chaotic document recording', as a result of which the department could not account for R572 million spent on goods and services. The department also paid R66.4 million to the Gauteng Department of Public Transport and Roads for vehicles when only 455 of 599 had been delivered. In April 2005, Director-General Barry Gilder left Home Affairs, the fourth director-general to resign in six years. During Fakie's investigation, 12 Home Affairs employees were suspended on fraud allegations (*Mail & Guardian* 17.07.06). These problems led Minister Mapisa-Nqakula to invoke Chapter Two of the PFMA, which states: 'Treasury may assist departments and constitutional institutions in building their capacity … Treasury is empowered to investigate any system of financial management and internal control in any department'. Home Affairs is the first national department to require such intervention.

Is South Africa simply adjusting to a new regime and new reporting structures, or are the events of the past year a harbinger of things to come? This is a difficult question to answer, as performance across departments and municipalities differs widely. However, monitoring the finances of government institutions is vital to tracking the *progress* of democracy and to preserving democratic *process*. This is especially important at the municipal level, where government and civil society interact and where people have a real opportunity to influence public affairs.

Part of the problem is about stabilising the structures of a young democracy, and the country may continue to experience 'growing pains' as institutions normalise. In the past, the major function of local government was to provide essential services such as water, refuse removal and electricity, as well as issuing licenses and maintaining parks. With the inception of the Integrated Development Plan in 2002, municipalities became responsible for taking on a developmental role. This involved increasing democratic participation, job creation and the long-term development of resources. In addition, staffing has changed immensely to reflect national demographics. It will take time for municipalities to adapt to these responsibilities, as they mark a major departure from the previous role of local government.

Essentially, capacity building is neither a temporal nor a systems problem; it is a human problem. As such, it is multidimensional, spanning staffing issues, the existence of an unskilled workforce and a lack of political will.

In some cases, the human factor has caused a breakdown in public bureaucracies. Vacancies in the public sector are an example. Skilled personnel, particularly at the managerial level, are sorely needed in most departments and municipalities. For instance, vacancies in the Departments of Public Works, Trade and Industry, and Transport, as well as the National Treasury, amounted to more than 20 per cent of all approved positions in the previous two years (OAG 2005). An average of one in three senior management positions is unfilled, and in extreme cases such as the Defence department, the figure reaches 54 per cent. The government faces two issues here: the number of vacancies is unknown and, more importantly, there are no competency guidelines for the various positions. This means that some positions remain vacant because they are incorrectly advertised or employment equity requirements are too stringent. Certainly, the public sector is not looking at a pool of inadequately educated professionals from which to fill its vacancies, as unemployment rates among those with tertiary qualifications have more than doubled in the last decade. Rather, the government needs to identify what skills are required for each job category. Staff could then be hired and regularly assessed according to competency, not connectivity. This would uphold standards and encourage experienced civil servants to remain in the public sector.

The government exacerbates the problem of service delivery by overspending personnel budgets at national and local level. Conventional wisdom suggests that about 30 per cent of the budget should be spent on salaries and the remainder devoted to infrastructure development and service delivery. Currently, salaries to councillors and municipal officials outstrip spending on services by nearly R10 billion. Apart from the detrimental effect on service delivery and infrastructure development, the government is unable to fill vacancies simply because there is not enough money to pay the salaries. In turn, the dearth of funds contributes to the vacancy problem by lowering capacity and the incentive to hire staff.

Overpayment of salaries is pervasive. For instance, although SALGA faces a serious debt-recovery crisis, the organisation raised its salary budget in the last year from R39 million to R49.4 million, an increase of 27 per cent.

This left R8 million for vacant positions. Only 39 per cent of the positions were filled at the time of the AG's report – 181 posts out of 295 remained vacant. An analysis of payments to 40 employees showed that 25 were remunerated 'outside the approved salary framework' (*Business Day* 11.07.06). The AG also emphasised that the disclosure of managerial salaries needed to be more open.

Poor educational qualifications also affect the public service. The AG recently found that while only 8 per cent of government workers qualify as 'highly skilled', 90 per cent are considered low- or semi-skilled. A review of the credentials of municipal managers indicates that 36 per cent have only a matric and a diploma or less, and one did not even have a matric. Thirty-seven per cent had less than five years' experience in local government, while 74 per cent had 11 or less years of municipal experience. Although the issue of inadequately skilled municipal officials has been identified as one of the most serious facing the country, the quality of public education continues to decline.

CORRUPTION

Another, more troubling, aspect of the bureaucracy is corruption, which assumes many different forms, from outright embezzlement and bribery to nepotism and other non-monetary means of self and group enrichment. The problem persists because policing is inadequate, although some public officials have been called to account for their actions. In the late 1990s and early 2000s, units such as the Special Investigations Unit and National Directorate of Public Prosecutions successfully prosecuted top-level figures in the ANC (Afrobarometer 2006c). There have been several examples this past year as well. In the troubled Kungwini municipality, the mayor resigned and the municipal manager and six other employees were suspended as a result of damning findings in two audit reports (*Sunday Times* 25.09.05). The National Prosecuting Authority chief executive and her entire management team face tender-rigging and corruption charges (*Sunday Times* 23.04.06). In Limpopo, a disciplinary inquiry into more than 20 officials in the Department of Health seeks to determine if they irregularly received contracts worth millions of rands (*Financial Times* 30.09.05). What is disheartening is the belief of many political figures, including President Thabo Mbeki, that the word of accused officials is sufficient to absolve them of blame. Following the AG's report on Cabinet members failing to declare their business interests, Mbeki responded:

> *There is not a single minister or deputy minister who has not declared his or her interests. That person does not exist. When I saw this in the media that there were people in government, the national government, who had not declared their interests I phoned all of them and checked everything and none of them had not declared their interests.* (*Sunday Times* 09.04.06)

This reinforces the belief that skimming a little off the top is part of the job. For instance, the former Kungwini mayor, Michael Sephiri, denied corruption charges, stating in his defence that he 'was entitled to some perks' (*Sunday Times* 25.09.05). Such attitudes towards public funds are prevalent in the tender process, where government officials often feel entitled to use their position to gain contracts that support their own business interests or those of their families. One of the more convoluted cases of the past year revealed that the provincial finance minister of Gauteng, Paul Mashatile, had a 15 per cent interest in Gadlex Holdings, which owns 97 per cent of Gadlex, a 25 per cent black economic empowerment partner of Business Connexion. The latter has contracts with the Gauteng Shared Service Centre (GSSC), an institution that reports to Mashatile. He is also a director of Dibata Bata, an investment company, a fellow director of which is Mike Maile, recently appointed by Mashatile as the new head of GSSC. Maile is also a business partner of two directors and shareholders in Business Connexion subsidiaries. These, in turn, have business contracts with GSSC (*Mail & Guardian* 14.07.06).

Another, more troubling, aspect of the bureaucracy is corruption, which assumes many different forms, from outright embezzlement and bribery to nepotism and other non-monetary means of self and group enrichment.

These improprieties are taking a serious toll on public faith in the political system. A recent survey shows that 45 per cent of South Africans believe that all or most of their elected local councillors and council officials are involved in corruption, up from 24 per cent in 2004; a third of those surveyed believe the same about national government officials, up from 21 per cent two years ago; and a quarter consider their MPs to be corrupt. One in five considers officials in the Presidency to be crooked in some way, up from 18 per cent in 2004 and from 13 per cent in 2000. The irony is that Mbeki's approval ratings are higher than ever and rival the highest ratings Mandela received as president. Although attitudes towards MPs have remained relatively constant since 2004, every other government institution is viewed more cynically now than two years ago. A quarter to a fifth of all respondents witnessed corruption among health workers (25 per cent), SA Revenue Service officials (23 per cent), judges and magistrates (22 per cent), and teachers and school administrators (19 per cent). All of these constitute statistically significant increases since 2004 (Afrobarometer 2006c).

Ten per cent of South Africans report that they 'had to pay a bribe, give a gift, or perform some favour' to receive assistance from the police last year. Seven per cent experienced similar problems in obtaining identity documents or household services. Six per cent said they had to pay bribes to receive medical attention. While still a problem, these results represent a decrease from the previous year, when 11 per cent of those surveyed felt it necessary to pay bribes to obtain identity documents and 8 per cent had to make payments to enrol their children in school (4 per cent in 2005). The most victimised respondents were in Gauteng, KwaZulu-Natal and Limpopo, the least in the Free State, Mpumalanga and Northern Cape (Afrobarometer 2006b).

The past year's audits of the provincial housing departments revealed that many subsidy awards were made to people who did not qualify, including government officials. At times, subsidy applications were not filed or checked for accuracy and, in other instances, officials manipulated and overrode the system to benefit themselves or others. In some cases, properties were registered to individuals before the subsidy had been awarded. Other irregularities included awards to under-age applicants, multiple awards to the same person or household, and a failure to detect deceased applicants, duplicates in other provinces and invalid ID numbers. As a result, R322 million in subsidies were awarded irregularly in 2004/05. (OAG 2006c)

The AG recommended to the Northern Cape housing administration and other provincial housing departments that:

- there should be mutual co-operation in instituting disciplinary action against officials who made false affidavits and in recovering the excessive subsidies paid out, and where the subsidies had not yet been paid out, the department should cancel the payment;
- where properties were allocated to individuals who did not qualify for assistance, the department should reallocate these properties to qualifying applicants; and
- legal action should be considered against applicants who falsified their income.

To these requests, the accounting officer for Limpopo replied vaguely: 'The department, in consultation with the DoH, will consider the viability of the recommendation.' When the AG suggested that the declared income of applicants be compared with payroll information, the officer stated that it would be 'impossible to determine if an applicant is employed or not'. Similarly, when the AG recommended that false affidavits be handed over to the police for investigation, the response pointed out that false affidavits were difficult to detect. The current system of allocating subsidy awards is open to abuse, and the non-enforcement and lack of consequences for those who abuse the system only serves to perpetuate corrupt behaviour. (OAG 2006d)

Raiding the public purse is becoming a part of politics. A zero-tolerance policy would improve the system in the long term, though it would require a significant allocation of resources in the short term. Considering the massive amounts of wasteful or unauthorised expenditure each year, this would be a sound investment. Of course, such action would require real commitment rather than rhetoric. To take on the problem, allegations against officials cannot be dropped after reassuring telephone conversations. Rhetoric and action will have to be realigned, and a long-term strategy devised.

NON-SUBMISSION: A THREAT TO TRANSPARENCY

Weakening state institutions destabilise transparency and accountability, the bedrock of democracy. The most basic and most challenging threat is lack of information. So 'democratising control of the public purse' is necessary to realise the AG's mandate to strengthen constitutional democracy.

The deadline for the submission of financial statements to the AG falls on 31 August each year, yet the rate of non- or late submission was approximately 50 per cent last year and even worse in previous years. That the problem is widespread is disquieting. Its implications for the future sustainability of the system are cause for even greater concern, particularly because, for a number of departments and municipalities, the problem is compounded with each passing year. In some cases, national departments and municipalities are a year late in finalising their annual financial audits or statements. The lack of effective procedure not only hinders the AG's capacity but also stymies the channels of accountability to the public.

The following five departments were the worst performers in 2004/05; more than 40 per cent of the entities in these departments failed to provide any information, with rates in Transport and Home Affairs exceeding 50 per cent:

- Transport (615 per cent);
- Home Affairs (50 per cent);
- Agriculture and Land Affairs (483 per cent);
- Justice and Constitutional Development (41.7 per cent); and
- Sports and Recreation (40 per cent).

When the Home Affairs report was finally tabled, missing documentation resulted in R572 million not being accounted for. Among other reasons, the AG attributed the late tabling of this report to:

- insufficient co-operation from staff during the audit;
- unavailability of key documents, despite numerous written requests; and
- the suspension of 12 staff members during the audit on suspicion of fraud, which instigated an investigation.

Fakie reported that a forensic investigation into alleged fraudulent and corrupt activities was under way, which would reveal the extent of the problems.

Of the 185 national public entities, information on 158 of these (85 per cent against 79 per cent the year before) was available by the due date. This means that 27 entities (15 per cent) did not submit their statements on time, an improvement from 40 entities (21 per cent) the year before. Transport, Minerals and Energy, Environmental Affairs and Tourism, and Trade and Industry performed the worst, representing 67 per cent of the total entities that did not submit information to the AG.

At the local level, 132 out of 284 municipalities failed to submit their reports by the end of August. Although an improvement on previous years, it also indicates that South Africa's democracy cannot be considered anywhere near consolidated. Six months later, 45 municipalities still had to submit their statements.

In 64 per cent of cases, no reasons were provided for late submission. Where reasons were given, 56 per cent of the municipalities claimed that statements and audits from previous years had yet to be finalised. In a few instances, these reports became a low priority while disciplinary action was taken against senior management officials. The Phumelela Local Municipality in the Free State encountered such challenges when the chief financial officer faced disciplinary action for financial mismanagement, and the resignations of the administrator and manager further hampered accounting procedures. Unsurprisingly, Phumelela was one of the municipalities with an outstanding audit from the previous year. The Dannhauser Municipality in KwaZulu-Natal also had top managers facing disciplinary action, including the suspension of the municipal manager and the resignation of the chief financial officer. Other reasons provided by municipalities for late submission included 'internal problems', 'capacity problems', 'new staff in financial section' and 'system failure'. However, as no explanations were provided for most of the late submissions, the real reasons remain unclear.

Chapter Nine of the Constitution states that 'no person or organ of state may interfere with the functioning of these institutions'. Yet interference may be endogenous to the system, dismantling it from within.

WASTEFUL EXPENDITURE

The AG found that wasteful expenditure occurred in 22 state departments in 2004/05 – of the total of R83.8 million misused, R37.4 million was unauthorised, R44.5 million deemed irregular and R1.9 million fruitless and wasteful (see Table 1.1.1). The record of national public entities was even worse. Some R136.7 million went in irregular expenditures, a more than twofold increase from the previous year, R27.5 million disappeared in fruitless and wasteful expenditure, an 8 per cent improvement, and R5 million in material losses, a fivefold increase from the previous year (see Table 1.1.2)). Most of the irregular expenditure was incurred by SITA, and R4.6 million was attributable to THETA (see above). R3 million of the material losses were due to inaccurate information supplied by a third party to obtain a contract with the Health and Welfare Sector Education and Training Authority; criminal action has been initiated against this person.

Table 1.1.1: Wasteful expenditure by departments

Type	R million	Number of departments
Unauthorised	37.4	1
Irregular	44.5	10
Fruitless and wasteful	1.9	11
Total	83.8	22

Source: OAG (2005)

Table 1.1.2: Wasteful expenditure by national public entities

Type	R million		Number of entities	
	2004/05	2003/04	2004/05	2003/04
Irregular	136.7	56.1	5	9
Fruitless and wasteful	27.5	29.0	27	16
Material losses	5.0	1.2	10	9

Source: OAG (2005)

An extreme example of waste, whether due to corruption, mismanagement, ineptitude or torpor, is provided by the Phumelela municipality, which has been cited for non-submission of financial reports in previous years. In Phumelela, development has stagnated, infrastructure is crumbling and finances are in a shambles. Consumer debts to the municipality have risen to R28 million, an increase of 39 per cent over the previous year. Salaries account for 44.85 per cent of total operating expenditure, creating untenable conditions. Government subsidies of R242 075 were paid to a developer in 1996 and 1997 for houses that are yet to be built. The municipal manager is illegally employed because he has not entered into a performance agreement with the council. As a result of this mismanagement, only 16.1 per cent of all households have access to sanitation and 54.11 per cent receive water.

Another instance of negligent loss of public money occurred in the Lejweleputswa District Municipality in the Free State. Here the AG found that the Bucket Eradication Sanitation Programme, with an estimated total cost of almost R63 million for 41 966 toilets, had managed to complete only 274 toilets although some R4.7 million had been paid to the service provider (*Sunday Times* 23.07.06). Other examples abound, involving everything from shopping sprees in Paris and astronomical flight prices, to paying for houses that were never built.

Ineffective debt collection and the accumulation of debt incurred by departments and municipalities also hinder service delivery. The 2002/03 AG report found that municipal debt totalled R32 billion. This year, the total debt of the 23 largest municipalities rose to R19.2 billion from the beginning of the year until the end of March. The problem affects other institutions as well. SALGA has not yet collected 71 per cent of the levies owed to it by municipalities, accounting for R135.3 million by the end of the 2004/05 financial year (OAG 2006b). During the 1999/2000 financial year, the AG qualified 78 per cent of the 485 audit reports issued to municipalities, mainly because of the non-recoverability of consumer debt.

Table 1.1.3: Failure to meet statutory requirements (national departments)

Issue	Number of issues, 2004/05	Number of issues, 2003/04	Number of issues, 2002/03
Asset management	99	78	41
Income statements	93	41	38
Information systems	44	65	14
Internal audit and audit committees	16	16	17
Other	59	61	68
Total	311	261	178

Source: OAG (2005)

QUALIFICATION ISSUES

Public accounting cannot be declared transparent and free of serious problems. Only seven of the 135 reports on departments and national public entities issued by the AG over the past five years gave national departments a 'clean bill of health' (*Business Day* 30.06.06). The AG's report for the 2004/05 financial year indicated problems in the Departments of Home Affairs, Correctional Services, Defence and Health, and Parliament. Both Home Affairs and Correctional Services have received qualified audits for four consecutive years. In the case of Home Affairs, this figure does not include 2004/05 because the AG had yet to receive their statements. In addition, the Departments of Labour and Transport received qualified audits for the first time in 2004/05. Nevertheless, the Departments of Public Works and Water Affairs and Forestry, and Statistics South Africa received 'clean' audits for the first time in several years (*Business Day* 30.06.06). Nevertheless, the number of qualified audits fell from 11 in 2003/04 to six in 2004/05. The primary problem concerned income and receivables; Correctional Services and Defence experienced the greatest difficulties here, and it is hardly coincidental that they have some of the longest-standing records of qualified audits.

For national departments, the instances where statutory requirements were not met most commonly concerned income statements, asset management, information systems, and internal audit and audit committees (see Table 1.1.3).

At provincial level, the education departments deteriorated the most, with only one department receiving a clean audit, as opposed to three in 2003/04. Eighty per cent of education audits were unacceptable, compared with 67 per cent last year and 56 per cent the year before. The health sector was the only area to show an improvement.

BUDGETING BASICS OR PERFORMANCE?

Given the constraints outlined above and the poor performance records of most public institutions, is the present system of public accounting conducive to strengthening government institutions? During the 1990s, a 'best practice' approach founded on performance-based reforms was sidelined in favour of a 'basics first' approach whereby governments would attempt to reach their performance targets through developing 'budget basics'. The question is whether such a sequence is required. Must one really get the technical basics down before working on performance targets? Scholars, such as Matthew Andrews, have argued that command of the basics aids regulation 'through strong budget and cash controls, reliable accounting and financial reporting, effective compliance audits and overall budget formality'. Moreover, learning to operate in this controlled environment enables managers to develop 'the skills to manage on their own, builds trust ... and encourages managers to internalize a public ethic of proper behaviour'. The fear is that countries undertaking performance-based reforms without strong 'basic' mechanisms in place would encounter heightened risks associated with so-called 'best practice' methods (Andrews 2006: 147). An assessment of the 'basics' in South Africa is complex, because although the country largely has the basics in place in a formal sense, the problem is that not all transactions and decision-making in government proceed through formal channels – a gap exists between formal rules and informal practices. Some academics have argued that civil society in many developing countries is vertically incorporated into the national political arena (through patron-client relationships, for example), which is troubling for democratisation,because it can lead people to focus more on personal issues than on substantive developmental issues. This reflects adivergence between formal institutions and what drives actual behaviour (Mouzelis 1995). Gören Hydén (1986) notes that in an 'economy of affection' (the organisation of society in terms of kinship, ethnicity, language, and so on), economic decisions are conceived in social and non-economic conditions and in terms of mutual obligations that do not have a direct connection to production processes. Loyalties formed on the basis of 'affection' hinder statecapacity, because those who possess allegiance to a group use resources in ways favourable to the group, but unfavourable to broad-based growth and well-being, leading to policies that tend to squander public resources (Martinussen 1997). Therefore, mastering the basics may not necessarily be a path to better behaviour on the part of public officials.

While it may seem overly ambitious for the AG to opt for performance-based reforms and budgeting basics in parallel, the emphasis on performance may actually encourage the adoption of better basic accounting practice. Pushing for more strategic, goal-oriented reform may be better in tackling the fundamental problem, which is that because of mismanagement and incapacity in the system, people are suffering and socio-economic development is not progressing as it should.

Currently, the criteria below are used by the AG to review the performance of government entities (OAG 2005):

- *Criterion 1: Performance information reflected in the annual report should agree with performance information in the Estimates of National Expenditure (ENE) and the objectives outlined in the approved strategic plan.*
    - A review of the performance information, conducted in 28 of the 34 national departments, revealed that in 61 per cent of the cases, the objectives and performance information outlined in the annual report did not correspond with the goals set out in the ENE, nor did they correspond with statements provided in the strategic plans.
- *Criterion 2: There should be adherence to the principle of SMART (specific, measurable, attainable, relevant and time-bound).*
    - In 29 per cent of the national departments reviewed, it was not possible to discern whether or how outlining objectives had any real impact in 2004/05, a marked improvement on the 88 per cent of the previous year.
    - In 39 percent of the cases, objectives could not be directly linked to time (e.g. when the service would be delivered).

- *Criterion 3: Sub-programmes should be grouped together so that their outputs contribute to a single measurable objective for the programme.*
  - There was an improvement from 76 per cent compliance in 2003/04 to 82 per cent in 2004/05.
  - Only 18 percent (compared with 24 per cent in 2003/04) of the departments did not group sub-programmes to provide a 'bigger picture'.
- *Criterion 4: Measurable objectives and performance indicators should be consistent from one reporting period to the next.*
  - Consistency between performance information in annual and quarterly reports could only be confirmed in 39 per cent of the departments analysed. This was because, in most cases, reporting on performance is a once-a-year exercise with limited in-year monitoring.
- *Criterion 5: Performance information should be presented in a straightforward and meaningful way.*
  - In 79 per cent of the departments, information was presented in a straightforward and meaningful way (compared with 59 per cent in 2003/04).
- *Criterion 6: Actual performance should be indicated for each measure/indicator and reasons for any differences should be explained.*
  - Results in this category were worse than in 2003/04. Only 43 per cent of departments reported their performance for each measurable indicator or target (in 2003/04 compliance was 65 per cent). The root cause of the lack of information may be unrealistic targets being set or selective reporting on positive aspects of performance.
  - In 32 per cent of the cases, reasons for differences were explained (compared with no explanations in 2003/04).

Overall, the results of performance monitoring indicate very positive developments, compared with the previous year. In particular, the formulation of specific and measurable objectives improved substantially. However, one area that needs to be addressed is the co-ordination of objectives across annual reports, the ENE and the strategic plans. Co-ordination must be improved both within and between departments. Performance monitoring is a step in the right direction when it comes to demanding transparency and accountability from public bureaucracies, but without a fundamental shift in attitude about the way the public sector works, the problems will persist no matter how many pieces of legislation are passed or how many new monitoring initiatives are launched.

LIMITATIONS OF THE AG

The Office of the AG and other Chapter Nine institutions are designed to uphold the values and practices of democracy by linking the government to its constituency as well as improving the government's efficiency in service delivery. The availability of the AG's reports, and the media freedom that allows them to be publicised and distributed in the public domain, is a rare advantage in Africa. However, greater impact and efficacy of the AG's office depends on public engagement. The Presidency's recent study on macro-social trends in South Africa, *A nation in the making*, found that more than half of the respondents had not heard of the Public Protector, the Human Rights Commission or the Commission on Gender Equality. They were not asked directly about the AG, but it is likely that the response would have been similar.

The availability of the AG's reports, and the media freedom that allows them to be publicised and distributed in the public domain, is a rare advantage in Africa.

Another factor limiting the AG's impact concerns implementation: it is up to the departments and municipalities to act on the AG's recommendations. This is as it should be. The AG's role is to be a watchdog and not to dictate change. The Office of the AG holds an important place in the democratic framework, serving as a best-practice model, and is praised for this by no less an institution than the World Bank. While independence is essential, the personal orientation of the AG plays a more important role than it should in determining whether public accounts are examined thoroughly and the findings reported with integrity. The viability of institutions should not be reduced to the politics of personality and temperament.

As the review of the past year shows, there is a fine line between incapacity and corruption – they often enable each other and are inextricably linked. Therefore, a purely capacity-building solution or a purely corruption-busting response is unlikely to get anywhere. Both issues need to be addressed simultaneously. Capacity-building initiatives should be designed to minimise corruption and vice versa. This requires political will and human intervention, rather than more legislation. The essentials are in place. Further laws will simply act as democratic window-dressing behind which greedy officials will continue to feed off the state.

briefing

CORRUPTION: RANKING OURSELVES

Ethel Hazelhurst

Traditionally, corruption has been seen as a problem encountered only in poor countries. It has been perceived as purely a public sector issue and, in most people's minds, is associated with illegal activity. However, research over several decades has revealed that corruption is more complex: it is common in rich countries, it is prevalent in the private sector and it often comes in the form of legal activity.

Corruption has been viewed as oiling the wheels of an economy – as a stimulus to economic activity. However, research has shown it to be counterproductive, and its consequences insidious and far-reaching. Essentially, if resources are not allocated where they can be used most effectively, the economy loses; and those who lose most are the poor, because they live closest to the margin.

QUANTIFYING CORRUPTION

The problem with attempting to quantify the impact of corruption on economic growth is that it is difficult to determine the direction of causation. In other words, it is not clear whether corruption flourishes in poor countries because there are so few legitimate opportunities for advancement, or whether it is corruption that causes the poverty. Analysis is confused further by the fact that, whatever the initial impetus, over time the process is self-perpetuating.

Nevertheless, researchers have attempted to come up with precise numbers, among them Lorenzo Pellegrini and Reyer Gerlagh of the Free University of Amsterdam. They found that corruption slows economic growth, mainly through its effect on investments and trade policies. Any sizeable change (described as one standard deviation) in Transparency International's Corruption Perception Index (CPI) decreases investments 'by 2.46 percentage points, which in turn, decreases economic growth by 0.34 per cent per year' (Pellegrini & Gerlagh 2004: 438). They reported other indirect effects that compound the impact, and concluded that a significant change in the index decreases growth in per capita gross domestic product (GDP) by approximately 1 per cent.

The CPI is a composite survey, reflecting the perceptions of business people and country analysts, both resident and non-resident. It draws on 16 different polls from ten independent institutions. Of course, perceptions are subjective, but their relevance to the debate is that countries perceived to be corrupt may be less likely to attract investment.

So what does it mean that South Africa's score on the index fell from 4.6 in 2004 (when it came 44th out of 146 countries) to 4.5 in 2005 (placing it 46th out of 159 countries)? At the same time, growth in GDP rose from 4.5 per cent in 2004 to 4.9 per cent in 2005. 'A change from 4.6 to 4.5 is virtually no change at all. There are changes in the sample size and in the surveys used to build the index (let alone measurement errors) which can easily justify such a tiny change.' (Pellegrini 2006)

While South Africa's performance on the index is not deteriorating significantly, it is relatively mediocre – in other words, it represents an opportunity cost. If the country achieved a higher score, it would attract more investment, which would translate into even stronger growth.

The World Bank, which lends US$20 billion annually to relieve poverty in poor countries, estimates that more than US$1 trillion is paid in bribes each year. Outlining the World Bank strategy against corruption, its president Paul Wolfowitz said the bank first acknowledged corruption as a major impediment to development ten years ago and since then has 'pioneered research to better understand the root causes of corruption' (Wolfowitz 2006).

Kaufmann, Kraay & Mastruzzi (2005) assessed 352 measures of corruption in more than 200 high-income and developing economies. They produced a corruption control index on which positive values showed greater corruption control: South Africa scored 0.36, compared to Singapore's 2.3, New Zealand's 2.28 and Sweden's 2.25 at the top end, and Myanmar's -1.37, Afghanistan's and Nigeria's -1.35 and Paraguay's -1 at the other. Thus, South Africa's performance was neither exemplary nor piratical.

Research by World Bank anti-corruption director Daniel Kaufmann also produced ethics indices, which were published in the *Global Competitiveness Report 2004/2005*. On a scale of 1 to 100, where higher values implied a higher ethical standard, South Africa scored 59 on the corporate ethics index and 42.2 on the public sector ethics index. Topping the corporate ethics index was Singapore with 83 and the United Kingdom with 80.3. Singapore with 92.7 and Hong Kong with 82.2 headed the public sector index. At the bottom of the corporate index was Bangladesh with 15.6 and Chad with 16.6, while Bangladesh scored 9 on the public sector index and Pakistan 10.

An interesting insight is that the corporate and public sector indexes reflected a dichotomy in perceptions about the USA, which scored 71 on the public sector index but only 57.4 on the corporate ethics index – just below South Africa. Presumably, this is a reaction to the corporate scandals, including the collapse of Enron, that emerged there in the first few years of the decade, at a time when the international community was becoming increasingly sensitive to the damaging effects of corruption on the economy and society.

THE SOUTH AFRICAN CORRUPTION ASSESSMENT REPORT

It was in this climate that an anti-corruption partnership agreement was entered into by the South African government and the UN Office on Drugs and Crime (UNODC) in March 2001. One of the outcomes of that agreement was the compilation of a country corruption report on South Africa, which was published in 2003 as a joint effort by the South African government and UNODC's regional office. This was intended to serve as a baseline to measure progress in combating and preventing corruption as well as perceptions of corruption. It provided an overview of the nature of corruption in South Africa and responses to it, but the compilers conceded 'major gaps in knowledge of the incidence of corruption as well as in the systematic trends in perceptions of corruption'. They reported there were no consolidated statistics on 'corruption incidents or on the internal or external legal (civil, criminal and administrative) responses to such incidents. The statistics which do exist are ambiguous, because [they] are often classified as fraud or theft to facilitate prosecution.' Therefore, the report could provide no reliable measure of corruption in South Africa. (See UNODC 2003)

However, three surveys were conducted on perceptions and experiences of corruption: a household survey, a business survey and a survey of the public service and its clients in the provincial offices of three government departments in two provinces, KwaZulu-Natal and Gauteng. The information from the surveys was supplemented by information from government departments and public agencies with anti-corruption mandates, focus groups and a few selected surveys (UNODC 2003).

The investigation revealed that many South Africans (41 per cent of those surveyed) perceive corruption to be one of the most serious problems to be addressed, while slightly fewer (39 per cent) believe that although there is a lot of corruption, it is not the most pressing issue.

The business sector, in particular, views corruption as a serious problem, but it is not seen as an important factor in deciding on investment. Only 12 per cent refrained from making a major investment because of corruption. The most common areas of perceived corruption related to seeking employment and the provision of utilities such as water, electricity and housing.

Public service managers noted nepotism in job seeking, promotions and the provision of entitlements. The business community identified the areas most prone to corruption as the clearance of goods through customs, procurement of goods for the government, police investigation and the process of obtaining business licences and permits, and work and residence permits.

All surveys showed that police officers are the most vulnerable to corruption, followed by customs, local government, home affairs and court officials; business added the managers and/or employees of companies other than their own to the list. Most people surveyed felt that the government was not doing enough to combat corruption.

The report found that South Africa has a relatively sophisticated and comprehensive legislative framework, but there are serious weaknesses in the capacity and will of public sector bodies to implement and comply with the laws. The situation is complicated by overlapping mandates of law enforcement agencies and constitutionally created bodies; and attempts to develop anti-corruption partnerships between the government and civil society have not been very successful.

The legislative framework at the time of the report – the Corruption Act of 1992 – was found to be flawed. According to Roger Wakefield: 'The Act was poorly drafted and it was difficult to obtain convictions under it.' Since publication of the report, the 1992 Act has been replaced by the Prevention and Combating of Corrupt Activities Act of 2004, of which Wakefield observes:

> *In wide and convoluted language, it creates numerous crimes of corruption, including corruption relating to public officers, foreign public officials, contracts (both with private and public bodies), procurement, auditors and sporting events … and constitutes one of the most far reaching anti corruption statutes in the world … The penalties are dire with a maximum penalty of an unlimited fine or life imprisonment.* (Wakefield 2005)

Again, however, the Act is difficult to interpret and apply. Louis de Koker, Director of the Centre for the Study of Economic Crime at the University of Johannesburg, says it 'is as complicated and long-winded as its name suggests and its complexity makes it very difficult to manage from a corporate compliance and risk perspective'. He describes it as 'the major weakness in our system' (De Koker 2006).

Moreover, De Koker observes, South Africa lacks the law enforcement resources to investigate and prosecute major cases, which is why 'we have had very few convictions for serious corruption', and that this is a problem common to developing countries, which often 'lack effective accountability structures, financial transparency and effective law enforcement'. He cites low income levels, low pay for civil servants and a lack of consensus about issues of integrity as factors that 'often generate higher corruption levels'. De Koker concludes: 'In the circumstances, South Africa has done well to improve corporate and public governance and financial accountability and transparency.'

Combating corruption is seen, officially, as a policy priority by President Thabo Mbeki. As early as 1998, at the African Renaissance conference in Johannesburg, Mbeki said: 'I believe that we cannot speak of an African Renaissance where we permit corruption to remain an endemic feature of the private and public sectors on our continent.' (Mbeki 1998)

THE AU ANTI-CORRUPTION CONVENTION

A major African-initiated anti-corruption covenant, adopted in 2004, became effective on 5 August 2006, but less than one third of the African Union membership (15 countries) have ratified the AU Convention on Preventing and Combating Corruption and Related Offences. South Africa is among those that have ratified, while 37 have failed to do so, including Nigeria, Senegal, Kenya and Egypt. The convention requires African government officials to declare their assets, adhere to ethical codes of conduct, provide access to government information about budget spending and protect those who blow the whistle on state fraud.

It establishes procurement and accounting standards, prescribes transparency in the funding of political parties and recognises the need for civil society participation. It requires bribery, diversion of property, trading in influence, illicit enrichment, money laundering and concealment of property to be made crimes. Further, it provides a framework for cross-border law enforcement co-operation to ensure that no African country becomes a safe haven for those who steal from the public in another African country. The next step is to translate the convention into national laws, policies and practices and to put appropriate institutions in place.

A GLOBAL PERSPECTIVE

An important dimension of the debate around corruption is the role developed countries play in corruption in the developing world. In 1997, members of the Organisation for Economic Co-operation and Development signed an anti-corruption convention – the first global instrument to fight corruption in cross-border business deals. However, a Transparency International progress report on enforcement, released in March 2005, found that levels of enforcement were very modest in most countries and in nine countries there has been no enforcement.

A Transparency International bribe-payers index (BPI), last published in May 2002, gives some insight into the countries most culpable, by tracking the propensity of multinational corporations to bribe. The BPI was conducted by Gallup International Association in 15 emerging market countries: Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea and Thailand. These are among the most significant countries involved in trade and investment with multinational firms.

Between December 2001 and March 2002, 835 interviews were carried out, principally with senior executives of domestic and foreign companies, but also with executives at chartered accountancies, bi-national chambers of commerce, national and foreign commercial banks and commercial law firms. The survey questions related to perceptions about multinational firms from 21 countries. The executives were asked: 'In the business sectors with which you are most familiar, please indicate how likely companies from the following countries are to pay or offer bribes to win or retain business in this country.' The results indicated that the countries perceived as having multinationals with a high propensity to bribe included Hong Kong, which is seen as squeaky clean in its own domain. The worst offenders were from Russia, China, Taiwan and South Korea, followed by Italy, Malaysia, Hong Kong, Japan, the USA and France. The countries perceived as least likely to have bribe-paying multinationals were Australia, Sweden and Switzerland, followed by Austria, Canada, the Netherlands, Belgium, the United Kingdom, Singapore, Germany and Spain.

Clearly, corruption is pervasive. However, the fight against it has gained new impetus from the events of 11 September 2001. With the advent of the 'war on terror' came a battery of laws to prevent the flow of funds in support of terrorist activity. These laws, combined with legislation aimed at preventing money laundering, place a great burden on ordinary business transactions, slowing economic activity; but because banks have to scrutinise the transactions of their clients, they are more likely to detect flows associated with corruption. This is particularly the case with politically exposed persons (PEPs) – senior officials who are in a position to influence important decisions – and their families. The Financial Action Task Force, an inter-governmental body developing and promoting policies to combat money laundering and terrorist financing, has issued anti-money laundering directives that require 'enhanced due diligence' from banks conducting business with PEPs.

The movement of unexplained funds through bank accounts alerts banks, which then are required to report any suspicious pattern of transfers to the relevant financial authority. In South Africa, this authority is the Financial Intelligence Centre.

As data is accumulated, law enforcement agencies will be in a better position to take action against those who corrupt and those who are corrupted. The increased likelihood of discovery should prove at least a partial deterrent to bribe payers and takers. Of course, banks and financial authorities, too, will be in possession of and constantly accumulating information on all clients and citizens, innocent or not, in the name of data analysis and corruption prevention.

Corruption has been part of life since communities first became complex enough to give some people control over resources. It will probably take more than a few high profile convictions to reverse the habits of many millennia. An understanding of the distorting impact of corruption on wealth distribution may help to create an environment in which corruption is no longer seen as an acceptable sideline for politicians and others employed in positions of trust.

briefing

CONTROLLING CORRUPTION WHILE DELIVERING DEVELOPMENT

Monty Narsoo

The democratic regime ushered in during 1994 came face to face with its inheritance of the apartheid state's fragmented, dysfunctional and militarised government. An Institute of Security Studies report on apartheid corruption describes that state as follows:

> *It was a corrupt system of governance. A near monopoly on money, power and influence was in the hands of a minority and they used this to either violently suppress the majority or, at best, transfer resources in order to stave off the inevitable revolution. Racist nationalism is as vulnerable to corruption as most systems of authoritarian rule. In closed societies, which are highly militarised under dictatorial rule, the truth is hidden from public view by design. Access to power (and a monopoly over it) provides the elite in the public and private sectors with a unique opportunity to line their pockets. In so doing, the defenders of an illegitimate and corrupt system start to defy their own rules and laws that criminalise such behaviour.*

Newly appointed housing officials were confronted in 1994 with restructuring racially segregated housing departments. They were faced with inventories that included shotguns, Casspirs and tanks. They were inundated with claims of corruption in the allocation of houses, and had to deal with long-term contracts with companies associated with the apartheid government.

While changes were made, primarily at senior and middle management level, the vast majority of state officials remained in place. Two issues arose from restructuring the department in staff terms: officials who operated at the interface with communities came from the old order, and many were tainted with widespread maladministration associated with the apartheid era, particularly in homeland and township areas.

Uncertainty about their future caused apathy and demoralisation among many of the old bureaucrats. For some, insecurity presaged reality, as the new politicians wanted more representative government or chose to have trusted comrades with them. Then, very generous voluntary severance packages were made available in an attempt to transform the public service demographically – precipitating loss of experience, skills and institutional memory.

While there was a concerted attempt to prepare a new cadre for government, many came from academic or non-governmental organisation backgrounds. They were thrust into managing hundreds of people and millions of rand in budgets. For some, this was a step too far. Allied to this was inexperience of the bureaucratic norms that ruled a wide range of activities, which led to reliance on the old bureaucrats for assistance in navigating through the red tape.

The new salaries and the car allowances, which provided luxurious status symbols, also led to a change in lifestyle. Banks were literally handing out credit cards at legislatures and public offices.

The combination of these elements provided fertile ground for potential corruption. However, the apartheid state's debt spree meant that the new government was in charge of financially beleaguered state structures. Given the precarious macroeconomic situation in the country, the ANC government rapidly moved towards fiscal and financial discipline. One of the central areas of attention was a reduction of expenditure on the elaborate bureaucracy. The consequent shortage of resources in various spheres of government is still a factor, and capacity constraints persist.

In the post-1994 civil service, there has been an enduring tension between the notion of a developmental state, where the delivery of goods and services is of the essence, and a rule-driven state, where governance and accountability are paramount. In the light of the huge backlogs and skewed distribution of resources, the need to drive development processes and redistribute resources was evident to the incoming activist officials.

The Reconstruction and Development Programme, which was largely about meeting backlog targets, started making large sums of money available for disadvantaged areas and sectors. Officials were given very short deadlines to develop business plans for multimillion rand projects. The first hundred days of the new government had to have a visible impact.

Two issues arose out of this: deadlines were not met because of bureaucratic red tape, lack of capacity and underestimation of lead times in the development process. This meant that capital budgets, in particular, were not spent. The National Department of Housing rolled over almost its entire budget for the first two years of its existence – it was dealing mainly with past commitments and not new developments.

The dedicated new bureaucrats started playing fast and loose with the rules. While well intentioned, the basis for bad practice emerged. The situation was fuelled by the politicians, who now 'controlled' the state, being put under pressure from their bosses and constituencies to deliver, reinforcing the principle of getting things done by whatever means it took.

The Auditor-General's office consistently issued qualified audits. In many instances, the concern was under-spending, and mostly it was in relation to what could be termed malpractice. The drive for development was detrimental to good governance.

The imperative of financial discipline, together with reported widespread malpractices, resulted in a swathe of legislation with good governance and accountability as the primary principle, and which introduced severe penalties for non-compliance. One municipal official complained about the supply-chain management policy insisted on by the Municipal Financial Management Act of 2003, asserting that a cost-benefit analysis showed the ratio of the value of the supply of goods to the cost of procuring them to be too expensive. A further, unintended spin-off was that poor and emerging entrepreneurs were disadvantaged. As a mayor from a town in the Western Cape put it, '*die ryk mense tender die hel van ons uit* [the rich people are tendering the hell out of us]'. Thus, good governance came to be seen as detrimental to developmental principles, at least the sense of inclusiveness.

POLICY AND CAPACITY

Post-apartheid South African public administrators produced policies that were sophisticated and complex, and which compared well with international standards. However, these policies were not well understood, particularly by the lower ranks of the inherited public service, which had to understand the new language of development and had to contend with the shift to a strong emphasis on people-driven development – a far cry from the directorial practice of the apartheid state. Even the new recruits to the public service were dazzled by the complexity of the policies.

Lack of understanding of the policies, and the time-consuming nature of public participation, again provided grounds for malpractice and apathy. In a peculiar way, these policies reinforced the perception of malpractice, as staff from the AG's office often struggled to interpret them in accounting terms. This did not help in developing good relationships between the AG's office and many departments, and good governance practices were damaged.

Many of the policies were generated at the national level. In some instances, they originated at provincial level, providing local government, in particular, with onerous compliance requirements, which they could not meet. For example, one metropolitan municipality produced an advanced Integrated Development Plan (IDP), which was rejected by the relevant Member of the Executive Council (MEC) for not complying with all IDP requirements; the following year the MEC was confronted with a 'wheelbarrow-full' of documents. Thus was the constitutional requirement of co-operative governance undermined.

The three fundamental restructurings of local government in the last ten years further exacerbated governance problems, generating a great deal of uncertainty, impacting on the morale of staff and motivating many qualified personnel to leave.

The unifying aim of current anti-corruption strategies is to create an institutional culture that is intolerant of unethical conduct. The grey thread that runs through the policy, institutional and capacity-building issues is a society's politics and values. Nevertheless, in the midst of poverty and limited resources, communities and individuals in the poorest areas will tend to make decisions that will extract maximum gain for their own networks, particularly where the state is the major source of goods and services and where elected representatives largely rely on the state for income and careers, with few prospects outside of it.

The other side of the same coin is the message sent by conspicuous lifestyles of government officials, and the perception that economic empowerment is a quick fix. Added to this is that eternal conundrum of democracy and patronage, where the rules are present but the practices are grey: loyalty becomes a very marketable asset and sleaze increasingly acceptable. Introducing a culture of good governance is the ultimate test of the depth of corruption in a society. Rules and institutional arrangements are not enough to transform or replace this on their own; still, the first steps have to be taken.

FIGHTING CORRUPTION

In defining the institutional characteristics of the new South African democracy, the Constitution makes provision for a number of independent organisations to act against corrupt practices within and outside of government. Laws were enacted to deal with corruption, and were followed up by the establishment of anti-corruption units and ad hoc bodies to deal with corruption, either within government departments or independently. Numerous policy prescripts were churned out by all spheres of government, setting out codes of conduct, procurement and hiring policies and risk management measures.

In August 2006, a review of anti-corruption enforcement agencies' mandates, by the National Anti-Corruption Forum of South Africa, a tripartite organisation consisting of government, business and civil society, noted the following:

- Performance by the agencies could be improved through better co-ordination and co-operation. It concludes by suggesting that a single anti-corruption agency would not be appropriate at present.
- The organisations reviewed have very specific mandates, whether to recover public funds, audit state expenditure or to collect taxes. In certain cases (e.g. the Special Investigating Unit, or SIU), the mandate is very broad and overlaps with other agencies' mandates, such as that of the Public Protector and the Asset Forfeiture Unit (AFU).
- Dealing with corruption is not the primary function of any of the agencies discussed, apart from the SIU and the SAPS Anti-Corruption Unit, although the Department of Special Operations (DSO, the Scorpions) of the National Prosecution Authority (NPA) is active in this area.
- The Independent Complaints Directorate (ICD) is able to exercise discretion in terms of dealing with certain cases of misconduct by the police, but corruption issues are not a priority as it struggles with a limited budget to fulfil its prime mandate, namely, investigations into deaths in police custody or as a result of police action. There are cases, such as abuse by the police, which can be dealt with only by the ICD.
- Recovery of public monies and assets can be undertaken by either the AFU or the SIU, or by both operating jointly.
- There are several agencies, including the Public Services Commission, the AG and the Public Protector, that can conduct investigations into public service maladministration. Such efforts need to be co-ordinated.

Despite each agency seeing its role with respect to corruption issues as unique, they all agree that there are overlaps between their functions, and that rational principles should be applied to address the situation.

However, the mandates and functions of these organisations are not simply technical issues, but have become deeply politicised. Within Parliament, during the Arms Deal hearings, the Standing Committee on Public Accounts saw the removal of key members, including opposition party representatives and an ANC representative, while the AG found himself legally challenged on rewrites of his report. The NPA's role in the 'Zuma Affair' has come under sustained political pressure, and its line of accountability was challenged and adjusted. Similarly, several other institutions have been restructured for political or 'turf' reasons.

The institutions responsible for good governance have been afflicted by similar problems, in respect of structural arrangements, resource constraints and co-ordination.

These oversight institutions are equally affected by the 'morbid symptoms of the interregnum'. As the National Anti-Corruption Forum's statement released in August 2006 reads:

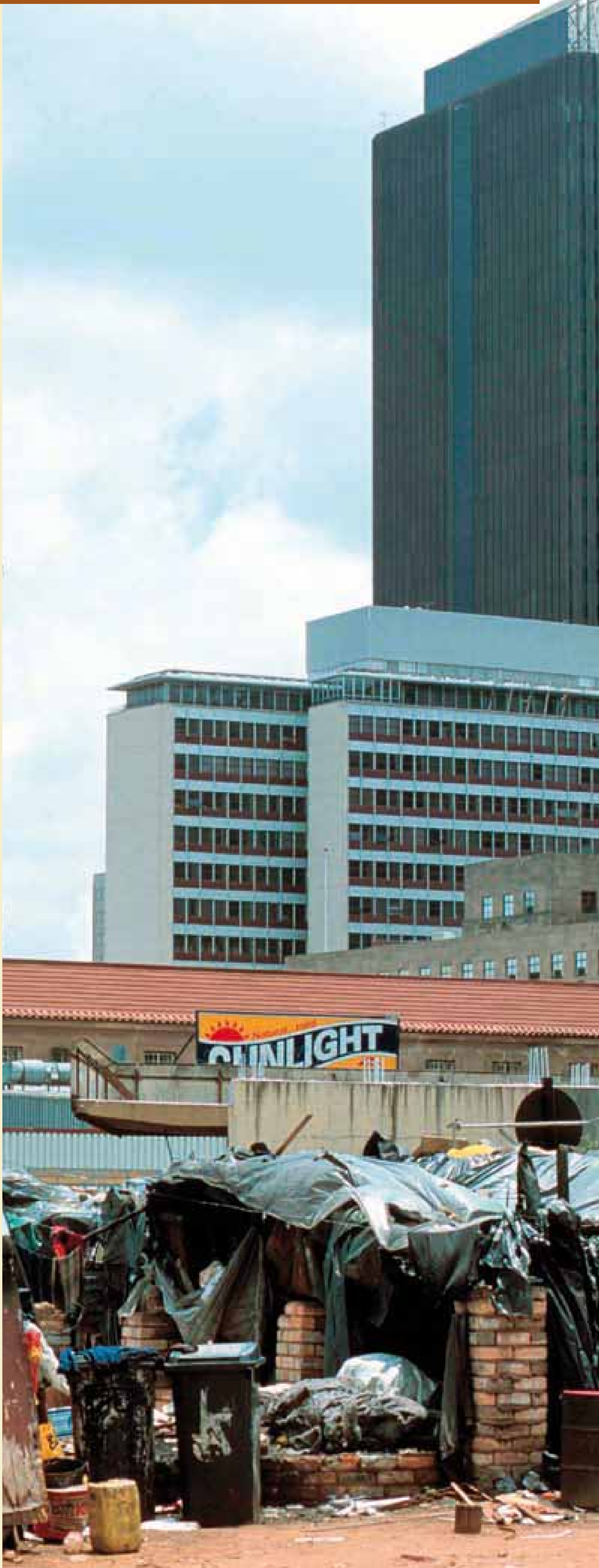
> *South Africa's complex political economy has given rise to several forms of corruption. These have many causes including the fact that the new social forces governing South Africa have historically been excluded from the economy, but now control state power in a context where the state is a major mechanism of accumulation. Anxious to deliver services to previously excluded and marginalized people, the new administrative cadre finds itself stifled by a bureaucratic, rule-bound public system.*

There is indeed insufficient recognition that, in bureaucratic terms, South African institutions are relatively constrained and still carry a variety of hangovers from the past. Despite this, significant progress has been made and important milestones have been met. There is some uncertainty over what constitutes anti-corruption strategy among different institutions of government. Anti-corruption measures are geared towards ensuring that institutions carry out their mandates in terms of efficiency and (perhaps a compromised) effectiveness.

While these are reasonable standards for auditors to apply, they tend to make it difficult for public service institutions to both deliver and comply. If the mandate is to deliver, then a more concerted attempt needs to be made to align development priorities with accountability mechanisms.

The present compliance requirements, in policy terms at least, provide no incentive for innovation, and the majority of capacity-building programmes in the anti-corruption drive are concerned with compliance.

Greater consideration must be given to how the rules can work for development, rather than against it. South Africa has many examples of proactive policy – but not yet in the context of managing corruption.



briefing

THE NEW ESTABLISHMENT: AN INDICATIVE CHART

Zandile Gubeni, David Le Page and Nthuthuzeli Vananda

All social systems operate through networks of social capital – the links, loyalties and human connections that motivate and advance people. This chart sets out to list some key members of an emerging network that combines economic and political leverage. Personal and institutional connectedness and influence are criteria for selection.

NAME	CURRENT POSITION	CONNECTION
Baqwa, Selby	Group Executive Head of Enterprise, Governance and Compliance, Nedbank.	Former Public Protector.
Ber, Mark	CFO and executive director, Safika. Board member, Safika group of companies.	
Cachalia, Azhar	Judge of the Johannesburg High Court. Chair, Open Society Foundation.	Brother of Firoz Cachalia.
Cachalia, Firoz	MEC for Community Safety in Gauteng.	Brother of Azhar Cachalia.
Carolus, Cheryl	Co-founder and executive chair, Peotona Capital, which, through Ponahalo Investment Holdings, has interests in De Beers Consolidated Mines. Chair, SA National Parks Board. Director of BDFM Publishers. Non-executive director and chairperson, IQ Business Group. Non-executive director, Plate Glass Group. Director, South African Airways. Director, De Beers Consolidated Mines Limited, IQ Business Group (Pty)Ltd, Fenner Conveyor Belting South Africa (Pty)Ltd, Ponhalo Holdings (Pty)Ltd, Investec Asset Management Holdings (Pty)Ltd. Executive chair, Peotona Group Holdings (Pty)Ltd.	Former CE, SA Tourism (2001–2004). High Commissioner to the UK (1998–2001). Former ANC Deputy Secretary General.
Chikane, Abbey	Chair, South African Diamond Board. Chair, Diamond & Jewellery Federation of South Africa. Director, World Diamond Council.	Brother of Frank Chikane.
Chikane, Frank	Director-General in the Presidency.	Brother of Abbey Chikane.
Copelyn, John	Chief Executive, Hosken Consolidated Investments. CEO, Johnnic Holdings.	Former General Secretary of the South African Clothing and Textile Workers' Union. Former chair, Johnnic Holdings.
Dipico, Manne	Chair, Ponahalo Consortium. Deputy chair, De Beers Consolidated Mines.	Former Premier of the Northern Cape. Former senior official, NUM. Member, ANC NEC. In charge of ANC election effort in 1994. Formerly, President's representative in Parliament.
Dlamini-Zuma, Nkosazana	Minister of Foreign Affairs.	Ex-wife of Jacob Zuma. Former Minister of Health.
Fraser-Moleketi, Geraldine	Minister of Public Service and Administration.	Wife of Deputy Minister of Finance, Jabu Moleketi.

NAME	CURRENT POSITION	CONNECTION
Gerwel, Jakes	Chair, SAA and Brimstone Investment Corporation. Directorships: Naspers, Distell, Old Mutual, Gold Fields. Chancellor, Rhodes University.	Past chair, Africon Engineering, Export Credit Insurance Corporation of South Africa, Nelson Mandela Foundation, Mandela Rhodes Foundation, Human Sciences Research Council, Centre for Constructive Resolution of Disputes, Institute for Justice and Reconciliation. Past rector and vice-chancellor, UWC. Past director-general and cabinet secretary in Nelson Mandela's presidency.
Golding, Marcel	Chair, Hosken Consolidated Investments. Midi TV chief executive.	Former Deputy General Secretary of the National Union of Mineworkers. ANC MP and chair of the Portfolio Committee on Minerals and Energy.
Goniwe, Mbulelo	ANC Chief Whip. Business interests not disclosed in register: Director, Gwebindlala Fishing, and inactive construction company, Ubunye Construction.	
Gordhan, Ketso	Executive Director, Rand Merchant Bank.	Former Director-General of Transport. Former Johannesburg City Manager. Brother-in-law of SARS head, Pravin Gordhan.
Gwagwa, Lulu	Chief Operations Officer, Lereko Investments (Pty)Ltd. Non-executive director, FirstRand, Airports Company of South Africa, and the Development Bank of Southern Africa.	Former deputy Director-General of Public Works. Former CEO, Independent Development Trust.
Gxowa, Nonkumbi Bertha	ANCWL Treasurer. Chair, Malibongwe Women's Development Organisation.	
Hendricks, Andrew	Director of SeaVuna.	Married to Lindiwe Hendricks, Minister of Water Affairs and Forestry.
Hendricks, Lindiwe	Minister of Water Affairs and Forestry.	Shareholder in two fishing companies, Phambili and Vuna. Former Deputy Minister of Trade and Industry. Key author of Black Economic Empowerment charter.
Jardine, Roger	Executive director, Kagiso Media.	Former Director-General, Department of Arts, Culture and Technology.
Jongolo, Joe	CEO, Bato Star Fishing.	Member, Mayoral Committee, Amatole District Municipality.
Kalyan, Koosum	Senior business development manager, Shell Exploration and Production. Director, MTN. Member, President Mbeki's Steering Committee on Scenarios for Southern Africa. Co-facilitator, UNAIDS/ Shell Scenario Planning Team on HIV/AIDS in Africa.	
Khosa, Reuel	Chair, Nedbank Group, AKA Capital, Nepad Business Foundation. Director, Gold Reef Casino Resorts, Nampak, Old Mutual.	Past chair, Eskom.
Khumalo, Bheki	Executive director, Siemens South Africa. Board member, Black Management Forum and Black Business Executive Circle.	Former presidential spokesperson.
Khumalo, Bongani	Chair, Gidani (Lotto) Consortium, Fox Publishing. Director, Anglo Platinum. MD, JHI Real Estate.	Former CEO, Transnet. Former deputy CE, Eskom. Former strategic adviser to the Presidency.
Khumalo, Mzi	Chair, Capital Alliance Holdings. Non-executive director, Ridge Mining Plc. Chair, Mintek, Metallon Gold and Mawenzi Resources Ltd. Shareholder in African Harvest, Microfin, African Pioneer Mining, Cluff Resources and Independent Mines in Zimbabwe.	Former MK soldier, Robben Island prisoner (1978–90). Co-founder with Tokyo Sexwale of Pan-African Mining Group.

NAME	CURRENT POSITION	CONNECTION
Luhabe, Wendy	Chair, Industrial Development Corporation, Vodacom, Alliance Capital and Findevco. Non-executive director, Telkom, Tiger Oats and the JSE.	Married to Premier of Gauteng, Mbhazima Shilowa.
Maasdorp, Leslie	Chair, Trans-Caledon Tunnel Authority. Chair, Yard Capital. Director, ABSA group. Director, Mvelaphanda Holdings. Board member, Batho Bonke consortium, and Coega.	Former Deputy Director-General and Head of Restructuring and Privatisation of State-Owned Enterprises. Former Eastern Cape Regional Secretary of SACTWU. Co-founder, Wiphold.
Macozoma, Saki	Chair, Andisa Capital. Co-chair, Business Trust, Iliso Consulting, Stanlib. Deputy chair, Safika Holdings. Director, Standard Bank of South Africa, Liberty Group, the Standard Bank Group, Volkswagen South Africa, Tutuwa Strategic Holdings.	Member, ANC NEC. Former ANC MP. Former CEO, Transnet.
Mafolo, Titus	Political adviser to President Mbeki. Founding member, the Native Club.	Shareholder in Lereko (Sun International). He has been allocated 3% of Phatsima, which has a 20% stake in Aerosud.
Maga (Ngonyama), Nozipho	Owns 37.8% of the shares in Amandla Wolwandle, which holds the majority stake (45%) in Bato Star.	Smuts Ngonyama's sister. Smuts owns 6.75% of Bato Star shares.
Majali, Sandi	CEO, Invume Management, and IT Lynx Consortium. Invume implicated in siphoning R11 million from state enterprise, PetroSA to ANC election fund. Majali implicated in Iraq oil sanctions-busting.	Paid for renovations to the Skweyiya home in 2003. Offered job in Invume to Thuthukile Skweyiya, which she turned down. Majali now pursuing lawsuit against Minister of Social Development, Zola Skweyiya's department for allegedly breaking IT contract with Lynx.
Mamoepa, Ronnie	Foreign Affairs spokesperson.	He has been allocated 8% of Phatsima, which has a 20% stake in Aerosud.
Marcus, Gill	Executive chair, Western Areas.	Former Deputy Finance Minister and South African Reserve Bank Deputy Governor.
Mbalula, Fikile	President, ANCYL. Ex-officio member, ANC NEC.	Brother of Jabu Mbalula. Jabu is the former chairperson of National Youth Commission.
Mbalula, Jabu	Former chair, National Youth Commission.	Brother of Fikile Mbalula.
Mbeki, Moeletsi	Chair, KMM Investments (Pty)Ltd, Endemol South Africa (Pty)Ltd, African Resources & Logistics Corporation (Pty)Ltd. Board member, Comazor (Pty) Ltd. Deputy chair, Institute for International Affairs.	Brother of President Thabo Mbeki. Political analyst for Nedbank.
Mbeki, Thabo	President of South Africa.	Brother of Moeletsi Mbeki.
Mbeki, Zanele	Founder, WDB Trust, which (through WDB Investment Holdings) owns shares in BP SA, FirstRand and others. Director of Credit Operations, Women's Development Banking Trust.	First Lady of South Africa.
Mchunu, Mandla	Information Officer, KZN provincial government.	Relative of Willis Mchunu. Former head of Independent Electoral Commission. Former non-executive chair, Premier Soccer League.
Mchunu, Willis	Speaker, KZN of Provincial government.	Relative of Mandla Mchunu.
Mfeketho, Mziwoxolo	Deputy Head of the City Police in the Western Cape.	Brother of former Mayor of Cape Town, Nomaindia Mfeketho.
Mfeketho, Nomaindia	Former Mayor of Cape Town.	Sister of Mziwoxolo Mfeketho.
Mkhize, Hlengiwe	South Africa's Ambassador to the Netherlands. Trustee, Malibongwe Women's Development Trust.	8% shareholder in Aerosud.

NAME	CURRENT POSITION	CONNECTION
Mkhwanazi, Don	Executive chair, Don Mkhwanazi Investment Group. Chair, Durban Investment Promotion Agency. Chair, Friends of Jacob Zuma Trust.	Former ANC economic adviser (1990–94). Former chair, Black Management Forum, Central Energy Fund, Soekor, Strategic Fuel Fund, Mossgas, SAFreight, and the National Empowerment Trust Investment Fund.
Mkwanazi, Mafika	Chair, Letseng Diamonds. Director, Matodzi Resources, Nedcor Bank Ltd, Freight Logistics International, Auto-pax Passenger Services (Pty)Ltd. Trustee, Transnet Retirement Funds Property Trust. CEO, Orlyfunt Holdings and Inkwenkwezi Gold Mining.	Former CEO, Transnet. Former chair, SAA, Propnet, V&A Waterfront Holdings, Spoornet and Western Areas.
Mlambo-Ngcuka, Phumzile	Deputy President of South Africa.	Married to Bulelani Ngcuka, former head of the National Prosecuting Authority.
Mokaba, Benny	Director, Sasol.	Past chair, Siemens Southern Africa, Shell Southern Africa. Former acting Director-General, National Department of Welfare.
Mokgatle, Dolly	Chair, Wiphold. Executive director, Peotona Group. Deputy chair, National Energy Regulator of South Africa. Non-executive director, IQ Group. Chair, EDI Holdings. Non-executive director, Sasfin Bank.	Former CEO, Spoornet.
Molefe, Brian	CEO, Public Investment Commission, which manages over R400 billion on behalf of government-related pension funds. Member, the Native Club.	Relative of Popo and Portia Molefe.
Molefe, Popo	Director, Imperial Holdings. Chair, PetroSA and Armscor. Owns 7% of Sun International through funding vehicle, Lereko. Chancellor, Northwest University.	Former North West Premier. Founding member, Azapo. Delmas treason trialist. Member, ANC NEC. Apparent recipient of R768 000 loan from Brett Kebble.
Molefe, Portia	Director-General of Public Enterprises.	Married to Brian Molefe.
Moleketi, Jabu	Deputy Minister of Finance. Former Gauteng MEC for Finance and Economic Affairs.	Married to Minister Geraldine Fraser-Moleketi. Member, ANC military wing. Degrees from University of London and Harvard.
Moosa, Valli	Executive chair, Lereko Investments. Non-executive chair, Eskom Holdings. Director Sanlam and Sterling Waterford Securities. President, World Conservation Union. Stake in Sun International through Dinokana.	Former Minister of Constitutional and Provincial Affairs, and of Environmental Affairs and Tourism. Former UDF Acting General Secretary. Member, ANC NEC.
Morobe, Murphy	CEO, Kagiso Media. Non-executive director, Resolve Group.	Former Deputy Director-General in the Presidency. Chair, Ernst & Young (2001–2005). Chair and CEO, Financial and Fiscal Commission (1994–2004). Former chair, South African National Parks. Former Robben Island prisoner and UDF activist.
Motsepe, Patrice	Executive chair, African Rainbow Minerals. Owner, Mamelodi Sundowns.	Brother of Brigitte Radebe.
Motshekga, Angie	Gauteng MEC for Education.	Married to Mathole Motshekga.
Motshekga, Mathole	Former Gauteng Premier.	Married to Angie Motshekga.
Mpahlwa, Mandisi	Minister of Trade and Industry. Ex-officio member, ANC NEC.	Former ANC exile. Former Deputy Minister of Finance.
Msimang, Mendi	ANC Treasurer General.	Married to Manto Tshabalala-Msimang. Previous High Commissioner in London.

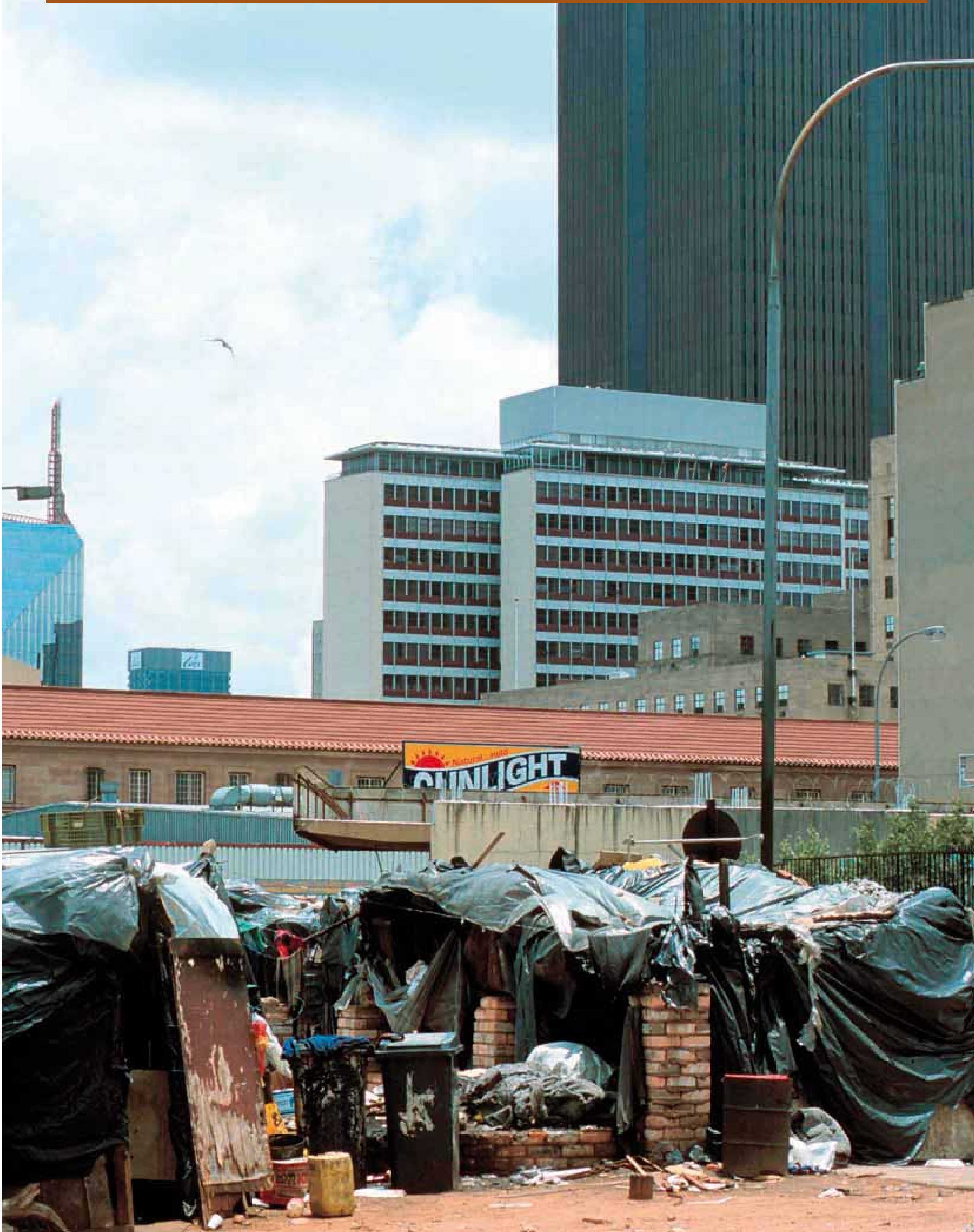
NAME	CURRENT POSITION	CONNECTION
Mufamadi, Thaba Alfred	MEC for Public Works in Limpopo Province.	Relative of Sydney Mufamadi.
Mufamadi, Nomusa	Executive director, South African Oil Company (linked to the Oilgate Scandal).	Married to Sydney Mufamadi.
Mufamadi, Sydney	Minister of Provincial and Local Government.	Married to Nomusa Mufamadi. Founder member, Cosatu. Member, ANC NEC. Member, SACP Central Committee.
Naidoo, Jay	Founding member, J&J Group. Chair, Development Bank of Southern Africa. Chair, Lesaka Holdings.	Former General Secretary of Cosatu. Minister responsible for the RDP in 1994. From 1996, Minister of Telecommunications, Post and Broadcasting.
Naidoo, Jayendra	CEO, J&J Group. Chair, CDC Capital Partners, Plessey (Pty)Ltd. Director, Faritec (Pty)Ltd.	Former trade unionist. Led ANC-Alliance team in negotiating National Peace Accord. National Negotiations Co-ordinator, Cosatu.
Nissen, Chris	Chair, Boschendal, Sea Harvest Corporation, Kovacs Investments. CEO, Umoya Fishing. Director, Standard Bank Group, Standard Bank of South Africa, Randgold & Exploration Company, Tiger Brands, Umoya Fishing, Woolworths Holdings. Invested in controversial South Atlantic Fishing Company.	Former Western Cape MEC for Economic Affairs. Former ANC Westerrn Cape leader. Recipient of R370 000 loan/payment for consultancy work from Brett Kebble. One-time pastor.
Netshitenzhe, Joel	Former CEO, GCIS.	Brother of Taki Netshitenzhe, acting CEO of NIA
Netshitenzhe, MacDonald	Director of Commercial Law and Policy at DTI.	Brother of Joel Netshitenzhe, former CEO of GCIS.
Netshitenzhe, Taki	Acting CEO of NIA.	Sister of Joel Netshitenzhe.
Ngcaba, Andile	Chair, Dimension Data Africa. Owns 49% of Plessey SA. Led a BEE consortium that acquired a 20.01% interest in Dimension Data. Heads the Elephant Consortium.	Former Director-General of Communications. Past head of ANC IT division. Former MK soldier. Board member, International Telecoms Union.
Ngcuka, Bulelani	Head of the Amabubesi Consortium.	Married to Deputy President Phumzile Mlambo-Ngcuka, former Minister of Minerals and Energy.
Ngoasheng, Moss	Executive chair, Safika Holdings. Board member, Industrial Development Corporation, New Africa Investments Limited, SA Breweries, MMG, Didata and Northern Province Development Corporation. Chair, Coega Development Corporation.	Former economic adviser to President Mbeki. Robben Island prisoner (1978–85). A company in which he has interests has received a loan from the IDC.
Ngonyama, Babalwa	Director, Bato Star. Partner, Deloitte and Touche. Chair, African Women Chartered Accountants (2004).	Related to Smuts Ngonyama by marriage.
Ngonyama, Smuts	Head of Presidency in the ANC. Acting adviser, Elephant Consortium, which holds a R6-billion share in Telkom. Holds a 6.75% share in Bato Star.	Member, ANC NEC.
Ngqula, Khaya	CEO, South African Airways. Chair, Mittal Steel. Director, Worldwide Africa Investment Holdings, Elan Property Group, Foskor and Engen.	Married to Mbali Ngqula. Former CEO of Industrial Development Corporation. Former CE Norwich Unit Trusts.
Ngqula, Mbali	Shareholder, Enaleni BEE deal.	A beneficiary of JSE-listed pharmaceutical company Enaleni's BEE deal. The IDC has approved funding of R270m for groupings involved in Enaleni's R1.2bn purchase of Cipla Medpro.
Nhleko, Phuthuma	CE, MTN. Partner with Wiseman Nkuhlu and Khaya Ngqula in Worldwide African Investment Holdings.	

NAME	CURRENT POSITION	CONNECTION
Njobe, Bongiwe	Corporate affairs director, SAB Ltd. Chair, South African National Biodiversity Institute.	Former Chief Director, Deputy Director-General and Director-General, National Department of Agriculture
Nkuhlu, Mfundo	Managing director corporate banking, Nedbank.	Former member, SARS executive. Former chief negotiator in trade and revenue sharing in the Southern African Customs Union, and in negotiations with the EU and the WTO.
Nkuhlu, Wiseman	Chair, Pan African Capital Holdings. Director, Kagiso Trust Investments, Virgin Active South Africa, Old Mutual SA, Old Mutual Plc, Datatec.	Former presidential economic adviser and past chair of steering committee of Nepad (2000–2005). Past chair, Development Bank of South Africa. Past Principal and Vice-Chancellor of the University of Transkei.
Pahad, Aziz	Deputy Minister of Foreign Affairs.	Brother of Essop Pahad.
Pahad, Essop	Minister in the Presidency.	Brother of Aziz Pahad.
Pandor, Naledi	Minister of Education.	Married to Sharif Pandor. Past chair, Luthando Investments.
Pandor, Sharif	Chair, Ikamva Investment Holdings.	Married to Naledi Pandor. Apparent recipient of R1 million loan from Brett Kebble.
Patel, Dipak	Executive director, Standard Bank corporate and investment banking division.	Former Director-General, Transnet. Former ANC underground operative.
Phaswana, Fred	Chair, Anglo American SA, Transnet. Director, Anglo American, Naspers, Ethos Private Equity.	Past chair, BP SA (1995).
Phosa, Mathews	Chair, Atos KPMG Consulting, Vuka Alliance (Pty)Ltd, Ruslyn Mining and Plant Hire (Pty)Ltd, African Legalnetwork (Pty)Ltd, Du Toit-Smuts & Phosa Attorneys, Zero Pollution (Pty)Ltd, BMW (Nelspruit). Director, Hans Merensky Holdings, Enterprise Outsourcing Holdings, Value Group and SA Golden Leaf Ltd. Chair, UNISA Council.	Lawyer. Poet. Former Premier of Mpumalanga. Former MK cadre. ANC NEC member.
Pityana, Barney	Principal and Vice-Chancellor of the University of SA. Chair, Higher Education South Africa. Director, Global Reporting Initiative, an international organisation aimed at strengthening corporate accountability.	Theologian. Previously chair, SA Human Rights Commission, and member of the African Commission on Human and People's Rights. Former chair, African Commission's steering committee on African Intellectuals and the Diaspora, and African Council for Distance Education.
Pityana, Sipho	Executive chair, Izingwe Capital, Laetoli Investments. Independent non-executive director of BTG. Non-executive chair, Riscura Solutions. Vice-chair, Aberdare Cables. Director Soekor.	Former Director-General, Departments of Foreign Affairs and Labour. Member, Nepad Business Group steering committee. Past MD, Nedbank Corporate. Former unionist.
Radebe, Bridgette	CEO, Mmakau Mining.	Married to the Minister of Transport, Jeff Radebe. Sister of Patrice Motsepe.
Radebe, Jeff	Minister of Transport.	Lawyer. Married to Bridgette Radebe. Former MK cadre and Robben Island prisoner. Former Minister of Public Enterprises.
Ramaite, Robinson	Chair, Simeka Investment Holdings. Non-executive chair, Vusani Investments. Director, Kumama Platinum, Mvelaphanda Resources.	Former Director-General, Department of Public Services and Administration.

NAME	CURRENT POSITION	CONNECTION
Ramaphosa, Cyril	Executive chair, Shanduka Group. Chair, MTN Group, Alexander Forbes Africa Holdings, and SASRIA. Director, Assore, Bidvest, Capital Property Fund, Standard Bank Group, SAB Miller.	Former leader of NUM. Former ANC constitutional negotiator. Former ANC General Secretary. Member, ANC NEC. Brother of Douglass Ramaphosa.
Ramaphosa, Douglass	Group executive, corporate affairs, Eltron. Chair, Rotek Group. Non-executive director, Eskom Enterprises, Bytes Technology Group.	Brother of Cyril Ramaphosa. Former executive head, corporate affairs, Anglo American.
Ramathlodi, Mathuding	Member, Leswika Women Investments (5%). Leswika was invested in the offshore South African Oil Company implicated in a Nigerian oil trading scandal.	Married to Ngoako Ramathlodi.
Ramathlodi, Ngoako	Member of Parliament. Undeclared interests in three apparently inactive companies, Platinum Mile Investments, Afflux Trading and Michmel.	Former Premier of Limpopo Province. Former MK cadre. One-time assistant to Oliver Tambo. Married to Mathuding Ramathlodi.
Ramphele, Mamphela	Chair, Circle Capital Ventures. Director, Anglo American, Medi-Clinic, Standard Bank.	Doctor and academic. Founding member, Black Consciousness Movement. Once partner to Steve Biko. Past Vice-Chancellor UCT. Past Managing Director for Human Development at the World Bank.
Ruiters, Alistair	Director and co-owner, Ehlobo Holdings, Ehlobo Foods, Ehlobo Heavy Minerals. Chair, PBMR (Pty)Ltd, National Empowerment Fund Council. Executive director, Samancor Chrome.	Former Director-General, Department of Trade and Industry.
Serobe, Gloria	CE, Wipcapital. Executive director, Wiphold. Director, Old Mutual, Nedcor, JSE and Life Offices Association.	Former financial director, Transnet. Former Fulbright scholar. Past positions at Nail, the Airports Company SA, Express Kenya, M-Cell, MTN, Portnet, SA Airways, Spoornet, Viamax, Metropolitan and Financial Markets Advisory Board.
Sexwale, Tokyo	Chair, Mvelaphanda Holdings, Mvelaphanda Resources, Rand Mutual Assurance Company, Trans Hex Group. Director, Absa, Gold Fields, Broll, Wingate Capital SA. Member, Batho Bonke consortium.	Former Premier of Gauteng Province. Prisoner on Robben Island for 12 years. Close friend to Mzi Khumalo. Finland's honorary consul-general in South Africa.
Shabangu, Susan	Deputy Minister of Safety and Security. Has an undeclared interest in a company called Western Ocean.	
Shilowa, Mbhazima	Premier of Gauteng.	Premier of Gauteng. Married to Wendy Luhabe. Former General Secretary, Cosatu. Past President, Transport and General Workers Union. Member, SACP Central Committee. Member, ANC NEC. Part of ANC negotiating team at CODESA.
Shubane, Khehla	Chair, South African National Roads Agency. Director, FirstRand, RMB.	Former Robben Island prisoner. Board member and past employee, Centre for Policy Studies. Former CE, Nelson Mandela Foundation.
Sisulu, Lindiwe	Minister of Housing.	Daughter of Walter Sisulu. Member, ANC NEC. Member, ANC National Working Committee. Former MK cadre. Former Deputy Minister of Home Affairs. Former Minister of Intelligence.

NAME	CURRENT POSITION	CONNECTION
Sisulu, Max	Group General Manager of Sasol.	Son of Walter Sisulu. Member, ANC NEC. Former MK cadre. Former ANC Chief Whip. Past chair, ANC Economic Transformation Committee. Past chair, South African Aerospace, Maritime and Defence.
Sisulu, Sheila	Deputy Executive Director, Policy and External Affairs, United Nations World Food Programme.	Daughter-in-law of Walter Sisulu. Former special advisor to the National Minister of Education. Former Ambassador of South Africa to USA.
Sisulu, Zwelakhe	Non-executive director, Aquarius Platinum Limited. Chair, Savannah Resources (Pty)Ltd, Dirleton Minerals & Energy (Pty)Ltd. Executive chair, Afriminerals Holdings (Pty)Ltd, Universal Media (Pty)Ltd.	Son of Walter Sisulu. Former CEO, SABC. Former editor, New National Newspaper. Received Presidential Award of South Africa from Nelson Mandela in 1998.
Siwisa, Hintsa	Chair and 11% shareholder, offshore South African Oil Company.	Brother-in-law of Eastern Cape Premier, Makhenkesi Stofile.
Skweyiya, Thuthukile	CEO, Fikza Investment Holdings. Chair, Wesizwe Platinum Ltd, Aflease Gold & Uranium Resources. Director, Orlyfunt Holdings, Wescoal and Total South Africa.	Wife of Zola Skweyiya. Former Deputy Director-General, Department of Foreign Affairs. Past South African Ambassador to France and UNESCO. Allegedly received loan from Oilgate-implicated Sandi Majali. Offered job in Invume Management by Majali, but declined.
Skweyiya, Zola	Minister of Social Development. Trustee, National Commission for the Rights of Children. Chair, United Nations Commission for Social Development.	Married to Thuthukile Skweyiya. Former Minister of the Public Service and Administration. Member, ANC NEC. Member, ANC National Working Committee.
Sonn, Franklin	Chair, Cape Star Investment, Mandela Rhodes Foundation. Acting chair, ACSA. Director, ABSA Group, Metropolitan Holdings, Sappi, Steinhoff.	First South African Ambassador to USA after 1994.
Stofile, Makhenkesi	Minister of Sports, Culture and Recreation.	Siwisa Hintsa's brother-in-law. Former regional secretary, UDF NEC. Former ANC Chief Whip. Past ANC Treasurer General. Former Premier of Eastern Cape. Chair, ANC Eastern Cape. Member, ANC NEC.
Stofile, Nambita	Head, Eastern Cape Anti-Poverty Foundation. One-third shareholder in Masakhane Security Company. Holds 2% of South African Oil Company.	Married to Minister of Sports, Culture and Recreation, Makhenkesi Stofile. Sister of Siwisa Hintsa.
Tambo, Dali	CEO, Koketso Holdings.	Son of Oliver Tambo. Former non-executive director, Enaleni Pharmaceuticals. Former host of a weekly television programme.
Tshabalala-Msimang, Manto	Minister of Health.	Married to Mendi Msimang, ANC Treasurer and former High Commissioner in London. Former Deputy Minister of Justice. Founder member, ANC Health Department.
Xingwana, Lulu	Deputy Minister of Minerals and Energy. Director, Malibongwe, a Section 21 company with a stake in a R860-million BEE mining deal that includes Zwelakhe Sisulu's Savannah Resources.	

NAME	CURRENT POSITION	CONNECTION
Zuma, Jacob	Deputy President of the ANC. Chair, South African National Aids Council. Chancellor, University of Zululand. Patron, Jacob Zuma Bursary Fund, Peace and Reconstruction Foundation, Albert Luthuli Education and Development Foundation, KZN Reconstruction and Development Project Bursary Fund.	Ex-husband of Nkosazana Dlamini-Zuma. Former MK cadre and Robben Island prisoner. Former head, ANC Underground Structures and Intelligence Department. Former ANC Deputy Secretary General. Former ANC National Chairperson. Member, ANC NEC. Former Executive Deputy President of South Africa.
Zuma, Vusi	Media liaison officer for the MEC in charge of KwaZulu-Natal Department of Agriculture and Environmental Affairs.	Son of Jacob Zuma.



Chapter 2

EMPLOYMENT AND INDUSTRIAL POLICY

CHAPTER OVERVIEW

One of the major challenges of policy has been to ensure a steady increase in employment, a key element of improving social conditions and stability. The past decade has seen considerable growth, of almost 30 per cent, from 9.5 million jobs in 1995 to 12.3 million in 2005, Morné Oosthuisen reports, although the precise extent to which this increase is a result of better measurement is unclear. With a continuously expanding working-age population and greater participation in the labour force, however, employment growth pales in comparison with the growth in broad unemployment, which almost doubled to 7.8 million over the same period. As a consequence, 38.8 per cent of the labour force is unemployed, according to the expanded definition of unemployment. Nevertheless, this is approximately three percentage points lower than the 2003 level.

Reviewing the mechanisms of affirmative action policies designed to transform aspects of the labour market, Sumeet Jain outlines the current black economic empowerment provisions, and argues that it is necessary to create a blueprint for an enduring affirmative action plan. Instead of implementing race-based affirmative action indefinitely, in time a means-based affirmative action policy that will serve the goal of employment equity will need to be devised to prevent unjust advantage to those whose gains already have been consolidated.

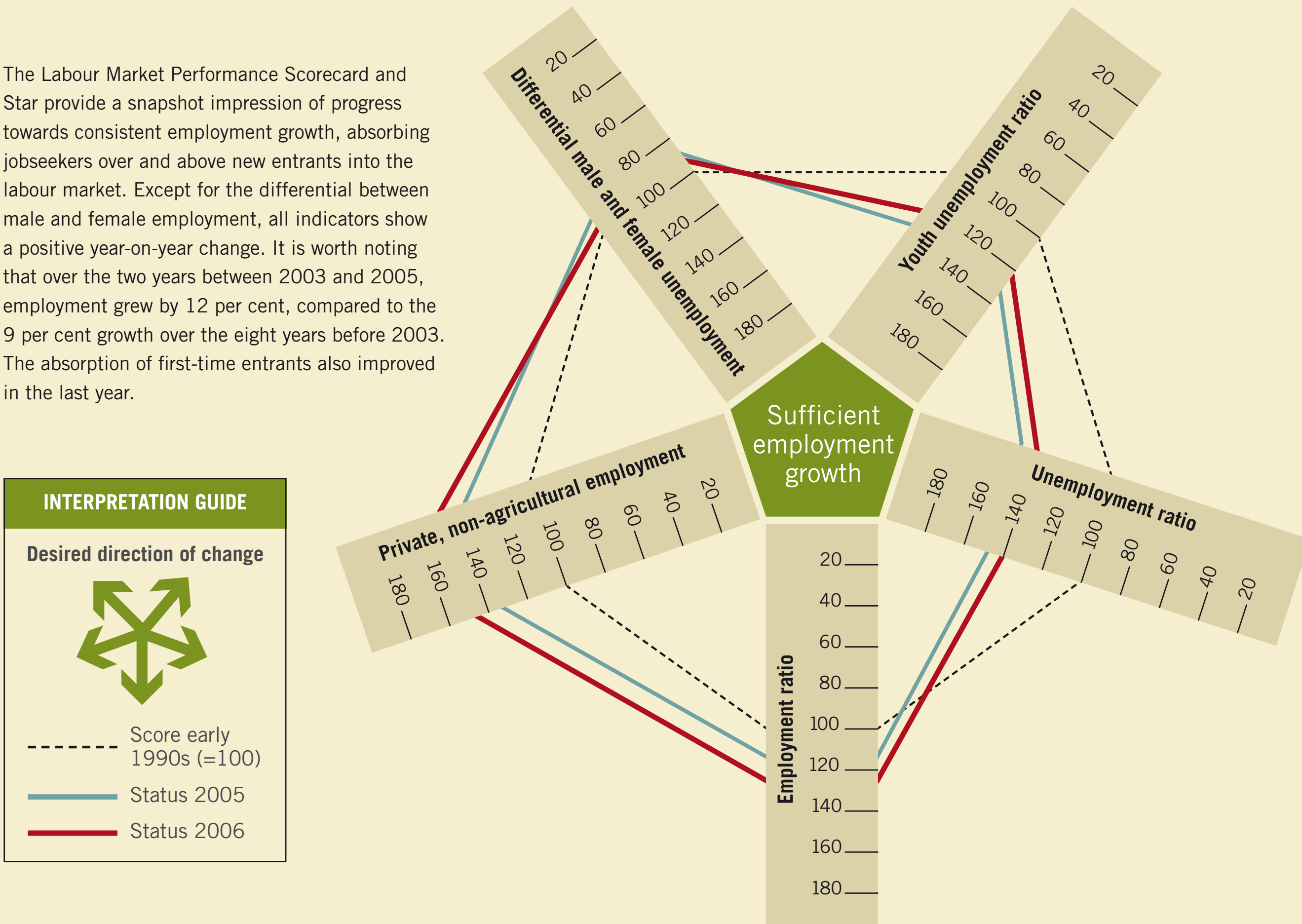
The temperature and intensity of political activism on the part of the Congress of South African Trade Unions has been rising with the ANC succession contest. As two-thirds of government employees are unionised, and are paid a substantial premium over those outside government, this has significant implications, as Martin Wittenberg outlines.

Labour market performance scorecard

Transformation goal	Consistent employment growth in excess of new entrants to the labour market				
Desired outcome	**Indicator**	**Status 1990–1994**	**Status 2005**	**Status 2006**	**Direction of change**
Adequate employment growth	Employment [1, 2]	9.6 million (1995)	11.2 million (2003)	11.9 million (2004)	↑
	Private non-agricultural employment [2]	6.7 million (1995)	9 million (2003)	9.7 million (2005)	↑
	Unemployment (expanded definition) [3]	27.80% 4 million (1995)	40.80% 8.1 million (2004)	38.80% 7.8 million (2005)	↑
Absorption of first-time entrants	Youth unemployment [3]	41.50% 2.9 million (1995)	52.90% 5.9 million (2004)	50.40% 5.7 million (2005)	↑
Broad-based employment	Differential between male and female unemployment [3]	1.58 (1995)	1.43 (2004)	1.48 (2005)	↓

1. Excluding small-scale farmers
2. *Sources*: Stats SA, *October Household Survey* 1995 to 1999; *Labour Force Survey*, September 2003, September 2004, September 2005
3. *Sources*: Stats SA, *October Household Survey* 1995; *Labour Force Survey*, September 2003, September 2004, September 2005

The Labour Market Performance Scorecard and Star provide a snapshot impression of progress towards consistent employment growth, absorbing jobseekers over and above new entrants into the labour market. Except for the differential between male and female employment, all indicators show a positive year-on-year change. It is worth noting that over the two years between 2003 and 2005, employment grew by 12 per cent, compared to the 9 per cent growth over the eight years before 2003. The absorption of first-time entrants also improved in the last year.



Year review by Morné Oosthuizen

Affirmative action: An evolving remedy by Sumeet Jain

Briefing by Martin Wittenberg

review

QUALITY JOBS AND SKILLS STILL AT A PREMIUM

Morné Oosthuizen

The labour market remains one of the key interfaces between individuals and the broader economy. Its performance can have far-reaching consequences for the success of government strategies aimed at raising incomes and reducing poverty and inequality, both in terms of the actual welfare of South Africans, and in terms of their perceptions of the extent to which their needs are being addressed. Broadly speaking, the major labour market challenge facing South Africa is increasing the level of employment, thereby improving households' welfare and reducing poverty. The prospect of attaining this objective appears more favourable than a few years ago. This is due to continued robust economic growth and the recent adoption of the Accelerated and Shared Growth Initiative for South Africa (ASGISA), which aims to lift the economy to a higher growth path of at least 4.5 per cent per annum between 2005 and 2009, and at least 6 per cent between 2010 and 2014. Indeed, ASGISA was formulated in response to the government's mandate of halving poverty and unemployment by 2014.

The past decade has seen a considerable increase in employment (including small-scale farmers) from 9.5 million jobs in 1995 to 12.3 million in 2005, an increase of almost 30 per cent over the period – although the precise extent to which this increase is a result of better measurement is unclear. With a growing working-age population and increased participation in the labour force, however, employment growth pales in comparison with the growth in broad unemployment, which almost doubled to 7.8 million over the same period. As a consequence, 38.8 per cent of the labour force is unemployed according to the expanded definition of unemployment. Nevertheless, this is approximately three percentage points lower than the 2003 peak and represents the first statistically significant year-on-year decline in the broad unemployment rate in the post-apartheid era.

According to the most recent Stats SA *Labour Force Surveys*, total employment grew by more than 5 per cent between September 2004 and September 2005, from 11.6 million to 12.3 million. The 660 000 new jobs accrued almost exclusively to Africans, with little discernible change in employment for other race groups. Women filled the majority of new positions (57.1 per cent), considerably higher than their 42 per cent share of employment in 2004. Initially, therefore, it appears that recent employment growth has advanced the position of Africans and of women in the economy, lowering the unemployment rate for Africans by three percentage points to 44.8 per cent and that of women by two percentage points to 46.6 per cent.

However, closer investigation reveals that the bulk of employment expansion occurred within the informal sector. Informal sector employment growth totalled around 430 000 jobs, or two-thirds of the total. Employment in the informal sector is known to be of lower quality, less remunerative and less protected than formal sector employment, thus serving to temper the optimism surrounding recent employment expansion. In terms of age, too, young people have long been disadvantaged in the labour market, but in 2005, half of all new jobs accrued to people under the age of 35 years. Similarly, individuals aged 55–65 years accounted for 15 per cent of employment growth, despite accounting for less than 9 per cent of the employed in 2004. This phenomenon is probably linked to later retirement than in the past.

For the past three decades, the South African economy has been undergoing a structural shift away from primary sector activities towards secondary and, particularly, tertiary sector activities. As a consequence, employment has shifted towards the tertiary sector. Primary sector employment dropped from 1.68 million workers to 1.47 million workers between 1995 and 2004. Although this may seem unremarkable, the decline of over 200 000 jobs (notably in fishing and farming) occurred during a period in which total employment is estimated to have grown by 2.1 million jobs. In contrast, the secondary and tertiary sectors expanded employment by 670 000 and 1.8 million jobs respectively. Comparisons with 1995, however, are fraught with problems due to changes in data quality, especially where the informal sector is concerned. These measurement problems prevent a consistent estimation of growth in the informal sector over this period using national household surveys.

The period between 2004 and 2005 represents a continuation of historical trends. Agriculture, forestry and fishing saw significant employment contraction, while employment in mining and quarrying barely changed. Apart from construction, which experienced a considerable employment growth of over 100 000 jobs, employment in the secondary sector was stagnant. However, it is in the tertiary sector that the largest and most rapid employment gains were made. By 2005, two in three employed South Africans were engaged in tertiary sector activities. Employment in the wholesale and retail trade expanded by almost one-fifth or 480 000 jobs, while just under 150 000 jobs were created in the financial intermediation sector. These two sectors, however, are very different in terms of the formal-informal sector split of employment growth. The wholesale and retail trade includes a wide variety of informal sector trading, and only one-third of employment growth in this sector occurred in the formal sector. In fact, employment growth in the informal component of the wholesale and retail trade alone accounted for half of all employment growth between 2004 and 2005. In financial intermediation, less than one-tenth of employment growth occurred in the informal sector. Thus, by 2005, the wholesale and retail trade was the country's largest employer, accounting for almost one-quarter of all employment, more than that of the entire secondary sector.

Structural change and the increasing pressure on firms to achieve or maintain international competitiveness, often by way of mechanisation and the use of technological or skills-intensive processes, is placing substantial strain on the country's skills stock. Historical neglect of education for the majority of the population, combined with the lags inherent in upgrading the education system, mean that the current pool of skills is relatively small. Emigration of skilled and experienced workers continues 12 years into democracy and further depletes the stock of available skills. Just over two million of the South Africans active within the expanded labour force possess post-matric qualifications, with only 820 000 holding degrees. The extent of the shortage of highly skilled individuals is evident in the fact that a mere 4.4 per cent of degreed labour force members were broadly unemployed in 2005. This skills shortage represents, in the terminology of ASGISA, a 'binding constraint' on the attainment of sustained higher rates of economic growth. The issue is being tackled through the Joint Initiative for Priority Skills Acquisition (JIPSA).

On the other hand, while South Africa is experiencing a shortage of skilled labour, there is growing concern about the rise of unemployment among better-educated individuals, specifically those with matric and non-degree post-matric qualifications. A matric certificate is increasingly insufficient to ensure that an individual finds work: the extra year of education necessary to attain a matric certificate has a substantially diminished impact on the prospects of finding employment today than was the case in 1995. In addition, there is evidence that too many young people continue to graduate in fields where labour demand is low, such as the social sciences, instead of pursuing studies in fields where there are clear labour shortages, such as the sciences.

The dearth of marketable skills is exacerbated by problems related to a lack of 'soft skills', such as strong writing and communication abilities. It has begun to emerge, also, that many students are prevented from graduating as a result of being unable to secure practical placements. It is clear that there is a facilitative role for the government to play in resolving some of the problems associated with the employment of skilled and young people, for example by means of the Umsobomvu Youth Fund's graduate database and through JIPSA, although it is important to be mindful of the pitfalls of workforce planning and similar activities.

Unemployment amongst better-educated labour force members predominantly affects those under the age of 35 years, contributing to the already high rates of unemployment experienced by young South Africans. In 2005, almost two-thirds of 15 to 24-year-olds were unemployed, as were 42 per cent of 25 to 34-year-olds, up from 53 per cent and 34 per cent respectively in 1995. On a positive note, though, while one in two new jobs between 2004 and 2005 went to people under the age of 35 years, this age group accounted for three-quarters of the decline in unemployment in that period. Extremely high rates of unemployment amongst young people are of great concern, holding negative consequences for both the young people affected and for society as a whole.

The shortage of skills has several implications for society and policy. Firstly, a lack of skills will act as a constraint on the projected rates of economic growth, retarding employment growth and slowing progress towards the goals of reducing poverty and unemployment. This is apparent in concern about shortages in the fields of engineering and construction, as the government ramps up infrastructural spending as part of the ASGISA programme and in the run-up to the 2010 FIFA World Cup tournament. Secondly, both directly and indirectly, it will slow the process of economic redress, particularly in terms of race. Shortages of qualified

Table 2.1.1: Earnings in the South African labour market, 2005

	All employed	Formal sector only					
		Total	Managers	Professionals	Technicians	Semi-skilled	Unskilled
Under R1 000	33.0%	17.4%	3.5%	2.3%	6.0%	16.5%	39.7%
Under R2 500	58.9%	45.6%	9.8%	5.9%	17.8%	51.1%	80.0%
Under R8 000	83.6%	78.5%	39.2%	45.2%	68.2%	85.9%	94.5%
Over R8 000	9.4%	13.1%	40.6%	43.2%	22.9%	6.6%	1.7%
Refuse/Don't know	7.0%	8.4%	20.2%	11.6%	9.0%	7.5%	3.7%

Source: Own calculations; Stats SA, *Labour Force Survey*, September 2005

black candidates hamper the ability of firms to align the racial profile of the workforce to that of the province or country, exacerbating the already slow pace of black economic empowerment. As measured by the racial shares of high-skilled, skilled and low-skilled employment, change has been relatively slow between 2000 and 2005. Admittedly, the share of white employees within high-skills occupations has fallen from 45 per cent to 40 per cent, while that of Africans has increased from 41.5 per cent to just over 44 per cent. The coloured and Indian groups, as well, have raised their shares of high-skilled employment. Simultaneously, skills shortages may result in distortions in wages, as excess demand manifests in firms being willing to pay higher wages, thereby contributing to already severe levels of inequality within the South Africa economy.

Extreme income inequality was one of the features and is one of the legacies of apartheid, South Africa having long been one of the most unequal countries in the world. Since 1994, however, greater equality in terms of income and wealth has not been quick to materialise. One of the manifestations of this problem is the attention that the inequality in remuneration between top executives and average workers receives. Recent research by the trade union Solidarity shows that the average remuneration of chief executive officers (CEOs) is 36 to 53 times that of the average formal sector worker. Further, between 2005 and 2006, the basic salary of the average CEO increased by 18.5 per cent, compared to the CPIX inflation rate of 4.1 per cent and an increase of 5.2 per cent in total remuneration of workers.

Stats SA's *Labour Force Surveys* reveal patterns of remuneration that confirm these figures (see Table 2.1.1). Approximately 60 per cent of the employed earn no more than R2 500 per month. Unsurprisingly, this proportion differs according to sector and occupation. In the formal sector, 45 per cent of workers earn up to R2 500 per month, indicating that informal sector workers and domestic workers constitute a disproportionately large share of low-paid workers. Only 10 per cent of formal sector managers earn up to R2 500, while this is true of 6 per cent of professionals and 18 per cent of technicians. In contrast, 51 per cent of semi-skilled workers and 80 per cent of unskilled workers in the formal sector earn no more than R2 500. Conversely, 13 per cent of formal sector workers earn more than R8 000 per month. Amongst professionals and managers, this proportion is more than two-fifths, falling to one-fifth amongst technicians. A mere 6.6 per cent of semi-skilled and 2 per cent of unskilled workers report earning more than R8 000 per month.

The 2004/05 period saw substantial employment growth, although the bulk of it occurred in the informal sector. Nevertheless, more South Africans have jobs than ever before and expanded unemployment rates are finally beginning to fall. However, in the context of the severe skills shortage, the probability of attaining ASGISA's projected rates of economic growth is reduced and the anticipated improvements in employment and poverty less likely. This remains one of the most critical labour market issues facing South Africa.

research

AFFIRMATIVE ACTION: AN EVOLVING REMEDY

Sumeet Jain

The need for affirmative action measures in South Africa arises from the skewed interracial income and wealth distribution that defines the economy. Today's unequal economic situation is a result of a history that bestowed varied economic opportunity upon different race groups. Over time, greater economic opportunity has translated into greater economic well-being, which, in turn, has served to provide an even greater level of opportunity, perpetuating the cycle. Given the gaping inequality in interracial economic opportunity at the time of democratic transition, a legacy of South Africa's colonial and apartheid past, the rewards of the consistent economic growth experienced since 1994 could not be distributed equitably in the labour market without affirmative action.

Inheriting an inferior employment position from the apartheid period, during which labour laws restricted their advancement in the workplace, Africans, who have an unemployment rate of 31.5 per cent, continue to experience higher levels of unemployment than any other population group. Compounding the problem of an elevated unemployment rate is the fact that Africans suffer the greatest levels of underemployment, constituting only 60.1 per cent of the formal sector, in spite of accounting for 79.7 per cent of the labour force. This results in Africans, who continue to lag behind in the labour market, being South Africa's poorest demographic group with a poverty rate of 60.6 per cent, a human development index of 0.630, an annual per capita income of R15 626 and a per capita disposable income of R8 508. The extreme extent of poverty amongst the African group is highlighted by the excessive level of income inequality, indicated by a Gini coefficient of 0.64.

The inferior economic position of Africans leads to restricted access to public amenities: only 18 per cent of Africans have running tap water in their dwellings, 17 per cent of Africans live without sanitation facilities, and only 31 per cent of African households have telephone access. Poor access to public amenities adversely affects Africans' health and education: life expectancy is 55.5, infant mortality is 49 per cent, only 85.9 per cent above the age of 15 are literate, and 22.3 per cent have never been enrolled at a formal schooling institution.

Coloured and Indian South Africans, also victims of discrimination during apartheid (although to a lesser extent than Africans), are placed between the African and white groups. However, the coloured group, having been subjected to harsher treatment than the Indians, is marginally worse off than the latter in South Africa today. Having endured discriminatory labour legislation, coloureds and Indians continue to experience inflated levels of unemployment (22.4 per cent and 15.8 per cent, respectively). Unlike Africans, who are inadequately represented in the formal sector, Indians and coloureds are over-represented, accounting for 2.4 per cent and 8.9 per cent of the labour force respectively, but still managing to hold 4.6 per cent and 14.3 per cent of formal sector jobs.

A poor employment scenario translates into deflated levels of economic well-being. This is evident in coloureds having a poverty rate of 20.8 per cent and Indians one of 7.9 per cent. Intra-group income variance, measured by the Gini coefficient, is greater amongst coloureds (0.56) and Indians (0.50) than whites (0.44), thereby supporting the view that coloureds and Indians endure lower levels of economic well-being. Further affirming this is that coloureds and Indians, respectively, have a human development index of 0.698 and 0.778, an annual per capita income of R19 441 and R54 023, and possess R13 935 and R28 321 of disposable income per capita. Poorer economic conditions, as in the case of Africans, translate into restricted access to public amenities. Amongst coloureds and Indians, only 67 per cent and 88 per cent have running tap water in their dwellings, 6 per cent and 1 per cent have no access to sanitation facilities, and 54 per cent and 87 per cent of households have access to telephones. The effect of this is poorer health and education: life expectancy is 58.6 for coloureds and 61.5 for Indians, the infant mortality rate is 23 per cent for coloureds and 9 per cent for Indians, literacy rates are 91.7 per cent for coloureds and 97.5 per cent for Indians, and the proportion of the population without schooling is 8.3 per cent for coloureds and 5.3 per cent for Indians.

As a whole, whites enjoy the most privileged position in South African society. They have the lowest poverty rate (4.0 per cent) and the lowest Gini coefficient (0.44), hinting that those below the poverty line are typically better off than Africans, coloureds and Indians in the same category. With only 5.0 per cent reported as being unemployed,

Table 2.2.1: Interracial inequalities

Nationwide indicators of development	African	Coloured	Indian	White	National
Population					
National population (2005)	37 206 000	4 148 000	1 153 000	4 367 000	46 971 000
Population proportions (2005)	79.2%	8.8%	2.5%	9.3%	100%
Employment					
Unemployment rate (official definition) (2005)	31.5%	22.4%	15.8%	5.0%	26.7%
Proportion of economically active population (2004)	79.7%	8.9%	2.4%	8.9%	100%
Proportion of formal sector (2004)	60.1%	14.3%	4.6%	20.9%	100%
Poverty					
Proportion living in relative poverty (2004)	60.6%	20.8%	7.9%	4.0%	49.7%
Intra-group equality (Gini coefficient) (2005)	0.64	0.56	0.50	0.44	0.65
Standard of living					
Human Development Index (1996)	0.630	0.698	0.778	0.858	0.688
Annual per capita income (rand) (2004)	15 626	19 441	54 023	70 690	29 945
Disposable income per capita (rand) (2004)	8 508	13 935	28 321	54 534	14 591
Health and education					
Life expectancy (1996)	55.5	58.6	61.5	65.5	57.0
Infant mortality rate (1994)	49%	23%	9%	8%	41%
Literacy rate (age 15 and above) (2004)	85.9%	91.7%	97.5%	99.7%	88.2%
Proportion of population without schooling (2001)	22.3%	8.3%	5.3%	1.4%	17.9%
Access to public amenities					
Proportion with running tap water in dwelling (2001)	18%	67%	88%	87%	32%
Proportion without sanitation facilities (2001)	17%	6%	1%	1%	14%
Proportion of households with telephone access (2001)	31%	54%	87%	95%	42%

Sources: Stat SA, *Labour Force Survey*, September 2005, *General Household Survey* 2004; Devey, Skinner & Valodia (2006); SAIRR, *South Africa Survey* 2004/05, 2003/04, 2002/03

whites experience a significantly lower unemployment rate than the other groups. Despite accounting for just 8.9 per cent of the economically active population, 20.9 per cent of South Africa's formal sector is comprised of whites. This advantage in the labour market has a positive bearing on whites' economic well-being, which is evident in an elevated annual per capita income of R70 690, a relatively large per capita disposable income of R54 534, and a superior human development index of 0.858. Given their advanced economic position, it is no surprise that, overall, whites enjoy better access to public amenities (87 per cent with running tap water in their dwellings, a mere 1 per cent without sanitation facilities, and 95 per cent of households with telephone access). Freer access to public amenities translates into tangible differences in health and education; with a life expectancy of 65.5 and an infant mortality rate of 8 per cent, whites, on average, live longer than the other groups. Additionally, with only 1.4 per cent not having attending a schooling institution, and with a literacy rate of 99.7 per cent, whites have the highest educational attainment. The data referred to above are reflected in Table 2.2.1.

The disparity in the employment situation between race groups creates a disparity in the monetary welfare of individuals from these groups, and the disproportionate financial distribution bestows unequal access to public amenities. Consequently, individuals of different groups in South Africa experience varied levels of health and educational well-being. Unequal educational and healthcare opportunities lead to uneven employment prospects for future generations, thereby entrenching a cycle of interracial inequality. The hope is that by implementing affirmative action measures in the employment sphere, the perpetual cycle of enrichment, on the one hand, and impoverishment, on the other, will be disrupted.

SUMMARY OF CURRENT PROVISIONS

Realising that along with equal opportunity, affirmative action measures were imperative to overcome the economic legacy of apartheid, the founders of the democratic South Africa provided for active redress in the highest level of legislation. The Constitution serves as the foundation for South Africa's affirmative action programme, and on it is constructed a multidimensional and ever-evolving body of laws prescribing specific corrective steps.

The Constitution

Through Section 9, Equality, the South African Constitution builds a framework for a policy of impartiality. For the most part, the section endeavours to level the legal terrain. However, the influence of Section 9 extends beyond creating equality-in-law. By sanctioning the execution of active corrective measures for victims of past injustice, Section 9(2) strives to establish equality-in-fact. Indeed, this subsection is the seed of South Africa's affirmative action programme.

Building on the value of parity set out in Section 9, much of Section 195 is aimed at creating a public sector employment equity plan. By providing that the goal of establishing a 'broadly representative' public sector requires the redress of past imbalances to be used as an appointment criterion, Section 195(1)(i) sanctions the use of affirmative action measures. Section 195(4) further allows for 'policy considerations' (such as addressing historical inequalities) in the appointment of people in the public sector, provided that this is sanctioned by national legislation. However, as any sound democratic constitution should, the South African Constitution includes a system of checks. By collectively asserting that human capital must be utilised efficiently and by calling for greater accountability, Sections 195(1)(b), (1)(f) and (1)(h) ensure that remedial measures are restrained by principles of fairness and necessity.

Section 217 allows preference to be given in the procurement of government tenders to private enterprises that comply with a set of equalising criteria. Section 217(2)(b) explicitly states that preferential procurement may be provided for the benefit of disadvantaged population groups; and this subsection has been invoked in granting preference to firms that, along with other criteria, have attained a workforce that is representative of South African society.

Primarily through these three sections of the Constitution, the ideal of affirmative action is deeply woven into the South African legal fabric. However, the concept of affirmative action has evolved continuously since its inclusion in South African politics. Each innovative advance has invoked these foundational constitutional provisions to justify the implementation of ensuing legislation.

Employment Equity Act

Stemming from Section 9 of the Constitution, the Employment Equity Act of 1998 was the first piece of legislation aimed at transforming South Africa's imbalanced employment structure. Supported by the detailed 'Code of Good Practice on the Integration of Employment Equity into Human Resource Policies and Practices' (GN 1358, 4 August 2005), the Employment Equity Act seeks to promote both legal and factual equity in the workplace.

Chapter II of the Employment Equity Act, Prohibition of Unfair Discrimination, is aimed at providing equal opportunity to all people. Amongst numerous other provisions, Chapter II mandates that all employers should take steps to further equal opportunity in the workplace. Moreover, in terms of Section 6, with the exception of positive discrimination, and affirmation action consistent with the Act, all forms of bias by 'race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, disability, religion, HIV status, conscience, belief, political opinion, culture, language and birth' are prohibited. South Africa's stern anti-discriminatory stance is evident in Chapter II placing the burden of proof on the defendant, the employer in this case, as opposed to conventional legal proceedings.

However, as has been observed historically, merely upholding the ideal of equal opportunity does not translate into actual equality. Thus, the enactment of Chapter III, Affirmative Action, a set of active measures seeking to effect change in South Africa's employment profile. Chapter III demands that employers provide preferential treatment and set numerical goals to ensure that there is equitable representation of all population groups at all occupational levels, and that skills-training programmes are implemented for individuals from designated population groups. Some of the more abstract provisions in Chapter III require employers to eliminate employment barriers, promote equal social standing, and make reasonable accommodation for individuals from disadvantaged classes to be proportionally represented in the workforce. Due to the potential compliance costs on all private enterprises of implementing affirmative action measures, however, the Act limits the application of Chapter III to a defined group of designated employers. Nevertheless, Section 14 makes provision for non-designated employers to voluntary comply with Chapter III. In addition to these steps, Chapter III instructs employers to prepare and implement an employment equity plan, which will work towards furthering the goal of a non-discriminatory workforce. The preparation and implementation of the employment equity plans are governed by the 'Code of Good Practice on the Preparation, Implementation and Monitoring of Employment Equity Plans' (GN 1394, 23 November 1999).

Chapter IV of the Act calls for the founding of a Commission for Employment Equity. The primary function of this commission is to advise the Minister of Labour on policy issues, most importantly on the Codes of Good Practice.

Skills Development Act

The Skills Development Act of 1998 seeks to encourage the development of human capital. In particular, as Section 2(1)(e) provides, one of its objectives is 'to improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education'.

The Act aims to implement several schemes collectively focused on improving human capital and reducing the skills gap between population groups. The first step the Act takes is to create an institutional and financial framework, consisting of the National Skills Authority, the National Skills Fund (a skills development levy-grant scheme), Sector Education and Training Authorities, labour centres and the Skills Development Planning Unit. Through a unique programme of action, the Act strives to encourage partnerships between the private and public sectors, with the goal of promoting workplace training. Further, the Act promises to operate in collaboration with the South African Qualifications Authority.

Preferential Procurement Policy Framework Act

Originating in Section 217(2) of the Constitution, the Preferential Procurement Policy Framework Act of 2000 outlines a structure for when and how private applicants' tenders for government-commissioned tasks should receive favoured treatment. The Act suggests a point system, in terms of which, amongst other publicly beneficial criteria, additional points may be allocated, under Section 2(1)(d)(i), to tenders contracting 'persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability'. The methodology used to calculate the number of points accrued for contracting persons from disadvantaged backgrounds was based initially on a vague formula that depended on skills development, ownership and employment equity.

Ambiguity in the calculation of the 'preference point system' prescribed in Section 2(1) was lessened with the implementation of the systematic method stipulated in the Broad-Based Black Economic Empowerment Act and the accompanying Codes of Good Practice, specifically 'Code 500: Measurement of the Preferential Procurement Element of Broad-Based Black Economic Empowerment' (BBBEE).

Broad-Based Black Economic Empowerment Act

The BBBEE Act of 2003 is an amalgamation and expansion of the three earlier pieces of legislation relating to the economic upliftment of previously disadvantaged population groups. The scope of the BBBEE Act on the issue of economic equalisation is unprecedented in South African legal history, as it targets a broader cross-section of society and utilises a wider array of measures to address the inequality inherent in South African society than any previous legislation. Section 1 of the Act defines BBBEE as the 'economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies', which include but are not limited to, increasing black control, ownership and management of enterprises, facilitating community ownership and management of enterprises, promoting skills development, achieving equitable representation at all levels of the workforce, providing preferential procurement, and investing in enterprises owned or managed by black people. It is important to note that 'black people' in this Act is a generic term, encompassing African, coloured and Indian individuals.

Section 2, which is dedicated to detailing the objectives of the Act, expands on the definition of BBBEE provided in Section 1. The active opening verbs, 'promoting', 'increasing' and 'empowering' used in Section 2 clearly indicate that the overall objective of the Act is to create equality-in-fact by utilising a collection of affirmative action and positive discrimination measures. Despite its proactive language, Section 2 does not seek to redistribute enterprise ownership or wealth directly; instead, it facilitates economic empowerment for previously disadvantaged people, mainly by de-monopolising access to the factors of production. This

Table 2.2.2: The generic BEE scorecard

Core component	Indicators	Score
Direct empowerment score		
Equity ownership	Percentage share of economic benefits	20%
Management	Percentage black persons in executive management and/or executive board and board committees	10%
Human development and employment equity score		
Employment equity	Weighted employment equity analysis	10%
Skills development	Skills development expenditure as a proportion of total payroll	20%
Indirect empowerment score		
Preferential procurement	Procurement from black-owned and empowered enterprises as a proportion of total procurement	20%
Enterprise development	Investment in black-owned and empowered enterprises as a proportion of total assets	10%
Residual	To be determined by sector or enterprise	10%
Total score		*100%*

Source: South Africa.info www.southafrica.info/doing_business/trends/empowerment/BEE-codes.htm#overview

ensures that disadvantaged population groups are provided with the means for income and wealth generation, while ultimately they remain responsible for pursuing the ends.

Section 11 elaborates on how the objectives listed in Section 2 are to be realised. This section makes the Minister of Trade and Industry largely responsible for the shaping and execution of BEE strategy; it requires the minister to create an empowerment strategy that is uniform, efficient and inclusive, to develop a financing plan for BEE and to ensure that a monitoring and enforcement mechanism is in operation.

The minister is expected to direct and mould BEE strategy through the timely issuance of Codes of Good Practice. To date, the codes have been released in two phases. Codes 000 to 200, released on 1 November 2005, fall under the first phase. Code 000 outlines a formulaic framework for quantifying an enterprise's degree of BEE compliance. Based on levels of direct empowerment, human development and employment equity, and indirect empowerment, the generic BEE scorecard assigns a score to each enterprise, with the maximum score being one hundred (see Table 2.2.2).

Code 100, which prescribes that equity ownership be measured by calculating the proportion of economic benefits secured by disadvantaged population groups, and Code 200, which explains that empowerment of management is measured by determining the percentage of persons from disadvantaged population groups in executive management and/or executive board and board committees, provide the methodology for the calculation of the direct empowerment score. The procedure for computing the human development and employment equity score is outlined in the second phase of codes, released on 20 December 2005. Code 300 recommends a weighted employment equity analysis to calculate the level of employment equity achieved by a business, while Code 400 requires skills development to be determined by calculating the ratio of skills development expenditure to the total payroll. The method to evaluate the final section of the BEE scorecard, the indirect empowerment score, is provided in Codes 500, 600 and 700. Code 500 outlines a procedure for enumerating preferential procurement by estimating the proportion of total procurement from black-owned and empowered enterprises. Code 600 indicates that enterprise development should be measured by analysing what percentage of total assets is invested in black-owned and empowered enterprises. Code 700 leaves the residual component of the scorecard, a broad range of positive externalities, to be determined by enterprises and industrial sectors. Code 1 000, which provides a framework for measuring BBBEE amongst small enterprises, was also released during the second phase.

Section 12 of the Act, Transformation Charters, makes the further provision that a transformation charter may be published in a government gazette as a Code of Good Practice, provided the minister is satisfied that a sector charter has been formulated by major stakeholders in that sector and that the charter promotes the objectives of the Act. Such publication of a sector transformation charter 'should be noted as evidence of the commitment by all stakeholders to promote black economic empowerment in the sector' (Para. 45, Statement 010, Code 000). However, the implementation of these charters as legal documents 'appears to be in a state of limbo' (Cliffe Dekker 2006).

In theory, the BBBEE Act allows for sector transformation charters to become binding legislative documents that govern interaction with and within an industry; however, in practice, these charters are little more than informal pledges by individual sectors to further the objectives of the Act. For the present, 'transformation charters have been consigned to the realm of important, but unenforceable, mission statements' (Cliffe Dekker 2006). It remains to be seen whether any of the numerous existing sector charters will meet the rigorous legal criteria sufficiently to be enacted as a Code of Good Practice.

One size fits all

A question frequently debated in South African legal circles is whether or not the degree of benefit dispensed by affirmative action should be proportional to a population group's present level of deprivation, which in most cases is dependent on the degree of discrimination faced historically. Africans were subjected to worse economic conditions than coloureds and Indians in the pre-democratic era and, as a consequence, still dominate the base of the economic pyramid. However, it is unclear whether South African law empowers Africans to receive greater benefits from affirmative action than coloureds and Indians on account of this economic disparity. The Constitution and the specific legislation governing affirmative action, the Employment Equity Act and the BBBEE Act, provide differing answers.

Section 9(2) of the Constitution, the backbone of South African affirmative action policy, states that 'to promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken'.

Thus, it is implied that different standards and varied measures may be applied to individual population groups. In South Africa, where affirmative action is based primarily on race, this entails drawing distinctions between the different racial groups when measuring employment equity. According to the Constitution, perfect employment equity will be achieved only when the workforce is perfectly representative of national demographics. Since Africans were the most underrepresented population group at the end of apartheid, they received a larger share of the benefits from affirmative action than did Indians and coloureds, the other two population groups categorised as black. Such disparity in treatment during the early stage of affirmative action led certain coloureds and Indians to allege that they were 'not white enough' during apartheid, and are now 'not black enough'.

The BBBEE Act and Employment Equity Act, on the other hand, make a racial distinction only between whites and blacks. Section 1 of each of these acts uses the term 'black people' generically to mean Africans, coloureds and Indians. In doing so, the acts categorise these three previously oppressed population groups collectively. The effect of this on implementation of the required employment equity measures is profound. Employers can receive the benefits of affirmative action merely by employing a proportional number of whites and blacks.

The black group, however, does not have to be representative of the numbers of Africans, coloureds and Indians in South Africa. Therefore, unlike the Constitution, which encourages proportional racial participation, the BBBEE Act and Employment Equity Act promote the proportional cumulative participation of Africans, coloureds and Indians. In practice, this means that as long as a certain proportion of employees is either African, coloured or Indian, irrespective of the ratio of each individual group, an employer would be judged as promoting employment equity. Consequently, these acts do little to raise the economic well-being of each population group categorised as black in proportion to its relative size and need. Often, it is argued that the benefits of affirmative action should be channelled more towards Africans, who continue to suffer a worse economic position than coloureds and Indians, instead of the benefits unfairly and illogically being dispersed amongst the entire black category under the BBBEE and employment equity initiatives. As a result of such debate, the question of 'whether coloureds and Indians qualify as "real blacks" for affirmative action privileges, as the ANC claims, remains particularly contentious' (Adam 1997: 243).

ASSESSMENT OF IMPACT

With the Constitution as the point of departure, multiple legislative provisions make it clear that along with providing equality-in-law, it is the state's duty to actively promote cross-dimensional parity, including racial, gender and geographical equality. Despite the dedicated implementation of affirmative action measures, the anticipated changes have not been realised. The main reason for this is that errors in execution have undermined the sound theoretical base.

Concentrated benefits

Although it is difficult to gauge the exact extent to which the shifts in income in South African society over the last decade are attributable to each distinct initiative falling under the BEE umbrella, it is clear that affirmative action in the employment sector has played a role. As a result of BEE, specifically preferential procurement policies, interracial equality has steadily improved, as can be seen in the growing proportion of Africans, coloureds and Indians occupying the top income decile (Table 2.2.3).

Table 2.2.3: Improving interracial equality, 1995 and 2000

Race group	Income share		Share of top income decile	
	1995	2000	1995	2000
African	39%	46%	18%	31%
Coloured	7%	9%	4%	9%
Indian	5%	5%	5%	5%
White	49%	40%	73%	55%
Total	100%	100%	100%	100%

Source: Seekings & Nattrass (2005)

Conversely, these figures suggest that the changing income structure is diminishing white economic dominance. It is unlikely, though, that the fall of 18 percentage points in the share of whites occupying the top income decile tells the whole story. It is more plausible that 'the brain drain among white professionals and managers is likely to have freed up some more "space at the top" for black professionals and managers' (Seekings & Nattrass 2005: 306).

The drop in South Africa's overall Gini coefficient from apartheid times to the years immediately following the end of apartheid affirms the view that the transition to democracy has fostered greater interracial economic equality; however, because a uniform method of calculating the Gini coefficient over time was not used, it is difficult to measure the extent of this cross-sectional equalisation.

The 'declining interracial inequality was accompanied by rising intra-racial inequality' (Seekings & Nattrass 2005: 307). The vast array of economic equalisation initiatives, including affirmative action in the employment sector, that accompanied South Africa's transition had the unintended consequence of expanding the intra-racial economic divide. The Gini coefficient of the African population group rose by 20.75 per cent between 1996 and 2005; and the increase for coloureds and Indians during the same period was 16.67 per cent and 6.38 per cent, respectively.

While Africans, coloureds and Indians experienced internal economic polarisation, the Gini coefficient for whites fell by 2.22 per cent. The exaggerated increase in equality within the white population group is partly attributable to the brain drain phenomenon that was most evident amongst high-earning whites at the time of democratic transition. Despite the reduced interracial inequality, the national Gini coefficient rose by 8.33 per cent, primarily as a result of the growing intra-racial inequality fuelled by the post-apartheid income distribution regime. Table 2.2.4 illustrates these changes in interracial and intra-racial inequality.

South Africa's preferential procurement programme faces the same criticism of diffused costs and concentrated benefits laid against the entire spectrum of BEE initiatives. With favouritism, corruption and nepotism rife in the employment scene, the benefits of affirmative action have accumulated for a minority, politically connected elite. According to a commission of inquiry into BEE, the reforms have had 'almost no impact on the lives of the majority of black people' (*The Economist* 19.07.01). The concentrated gains are illustrated by the increased share of Africans and coloureds occupying the top income decile (see Table 2.2.3).

South Africa's economic divide is morphing from being racial in nature to being driven increasingly by class dynamics.

In the context of ongoing economic equalisation, qualified whites perceive themselves to be sidelined, even though deficiencies in the schooling and post-schooling system available to the majority of blacks impede the full impact of the challenge. Additionally, the majority of blacks are being overtaken in the employment hierarchy by the politically connected, and are being snubbed in favour of the emergent black elite. Indeed, 'from 1991 to 1996 the incomes of the poorest 40 per cent of black households dropped by more than 20 per cent, while the wealthiest 10 per cent of black households experienced increases in income of

Table 2.2.4: Interracial and intra-racial inequality (Gini coefficient by race group)

Year	African	Coloured	Indian	White	National
1996	0.53	0.48	0.47	0.45	0.60
1997	0.54	0.49	0.48	0.46	0.61
1998	0.56	0.51	0.50	0.46	0.62
1999	0.57	0.52	0.50	0.47	0.62
2000	0.59	0.53	0.51	0.46	0.63
2001	0.60	0.54	0.51	0.46	0.64
2002	0.61	0.54	0.51	0.46	0.64
2003	0.62	0.55	0.51	0.45	0.64
2004	0.64	0.55	0.51	0.45	0.64
2005	0.64	0.56	0.50	0.44	0.65

Sources: SAIRR, *South Africa Survey* 2004/05; Gelb (2003) almost the same magnitude' (Van der Berg & Louw 2003). More broadly, of course, the entire South African population contributes towards the costs of affirmative action in terms of the administrative and legislative demands of executing a scheme of such proportions.

By contributing towards the maintenance of fairly static levels of overall earnings inequality, declining interracial inequality masks the true extent of the increase in intraracial inequality. Currently, 'a striking 67 per cent of overall inequality in South Africa is due to within-group dispersion of income' (Van der Berg & Louw 2003), a far greater percentage than ever before. A result of these changing dynamics of inequality is that South Africa's economic divide is morphing from being racial in nature to being driven increasingly by class dynamics. Consequently, using race-based rhetoric in equalising policies is rapidly becoming analytically obsolete. As this continues, the need for a means-based system intensifies.

South Africa's current race-based affirmative action policies will be relevant only within a narrow time frame in the early stages of the democratic era. As a representative employment profile is achieved, the function of the present affirmative action policies will reach saturation. When implementing affirmative action, there is a trade-off between the gains to economic development that these remedial measures provide by promoting greater equality in income and wealth, and the costs they impose upon economic growth by sacrificing some degree of efficient employee selection.

At present, the programme yields greater gains for economic development than it imposes costs on economic growth; but this scenario relies on the assumption that being black correlates with inferior employment access and conditions and, consequently, lower levels of economic welfare. However, the law of diminishing returns applies here. As blacks and whites reach equal levels of employment well-being, as a result of the current affirmative action policy, the gains to economic development will continue to reduce until the point where perfect employment equity is achieved. Thereafter, persisting with the same race-based affirmative action programme will damage economic development, as it will aid in skewing South Africa's economic scene against whites. On the other hand, with blacks rising to prominence, it is probable that the costs imposed upon economic growth would be significantly reduced. As blacks attain superior employment positions, it is likely that they will also advance educationally and in terms of class position. Accordingly, regardless of affirmative action, market-based procurement decisions would favour blacks.

It is already hard to justify how children of South Africa's prominent black business people, who have attended the finest educational institutions, have been provided with ample resources, and have been brought up in a supportive social setting, are eligible affirmative action candidates, while children belonging to an agrarian white family, having faced numerous hardships, do not qualify. As such contradictions become more prevalent, and it is to be expected that they will due to the nature of the remedial measures, so too will the occurrence of associated injustices. Many scholars believe that 'race and class are no longer coterminous' (Seekings & Nattrass 2005: 343), thereby critically questioning the functionality of current affirmative action measures.

Instead of implementing race-based affirmative action, which in all probability will be rendered superfluous and even injurious eventually, a means-based affirmative action policy that will serve the goal of employment equity perpetually should be utilised.

Nevertheless, employment equity is a noble end, and affirmative action a necessary means. However, since race-based affirmative action policies are only 'temporary bridging mechanisms' (Maphai & Mbabane 2004), it is necessary to create a blueprint for an enduring affirmative action plan. Instead of implementing race-based affirmative action, which in all probability will be rendered superfluous and even injurious eventually, a means-based affirmative action policy that will serve the goal of employment equity perpetually should be utilised. A means-based affirmative action programme would not permit the occurrence of unjust advantage, as benefits would be extended to individuals upon their classification, through a combination of wealth and income analysis, as economically disadvantaged, irrespective of race.

In addition to being a just system of economic governance, a means-based affirmative action system achieves the optimal trade-off between economic growth and economic development. If South Africa is to live up to its unified democratic ideals, a means-based employment procurement system is the way forward. As Adam (1997: 248) observes, 'awarding jobs on the basis of race has the potential to keep South Africa divided and to destroy reconciliation'.

Brain drain

Although attributable to various factors, including soaring crime rates in metropolitan areas, maladministration in certain professions, fear of political instability, and an easier passage for South Africans to work abroad, at least temporarily, through Commonwealth membership, it is hypothesised that some portion of the sudden increase in emigration in the mid-to-late 1990s was an unintended consequence of South Africa's affirmative action initiatives.

Whites, certainly, see affirmative action as having a negative impact on their prospects, though current employment equity reports indicate that white males continue to predominate in private sector management. At issue here is the perception rather than the reality. Many whites feel 'that they will not, in the long run, have equal career prospects with their black compatriots' (*The Economist* 21.04.05). Furthermore, a recent public opinion survey commissioned by the FW de Klerk Foundation revealed that 71.4 per cent of white South Africans believe that affirmative action policies turn able-bodied white men, the non-designated group, into second-class citizens (Du Toit 2004). Dirk Hermann, deputy general secretary of the Solidarity trade union, warns against this feeling of marginalisation: 'a serious problem with the implementation of affirmative action is alienation of the non-designated group' (Hermann 2005: 9). Yet dissatisfaction with how affirmative action has taken shape is not limited to whites. The failure of the programme to deliver more broadly has left many young skilled blacks (who, for the most part, remain untouched by economic empowerment reforms despite being the target group) feeling suspicious about the enrichment that has occurred at the highest levels and disillusioned with the idea of economic parity in South Africa.

Since 1994, South Africa has seen a steady rise in emigration, and the share of professionals and semi-professionals who make up this ongoing exodus has been increasing (see Table 2.2.5). Teachers and nurses, both black and white, make up a troubling proportion of them. It is probable that emigration figures are even higher than officially stated, because many of those departing do not declare themselves to be leaving for good. Compounding the problem is that immigration to South Africa has dwindled gradually, with the share of incoming professionals and semi-professionals shrinking. The combined result of these phenomena is a net migration deficit. The growing outflow of professionals and semi-professionals is particularly worrisome.

This brain drain exacerbates the existing skills shortage that restrains the South African economy. For a country whose economic growth is already hampered by a lack of skilled personnel, retaining and attracting trained individuals should be a priority. Together with rectifying the other negative influences that contribute to the migration deficit, revising the current affirmative action programme into a more egalitarian scheme is an imperative. Using a means test as a

Table 2.2.5: Migration trends

Year	Immigration		Emigration		Net migration	
	Total	Prof./Semi-prof.	Total	Prof./Semi-prof.	Total	Prof./Semi-prof.
1970	41 523	5 076	9 278	1 088	32 245	3 988
1980	29 365	3 764	11 363	1 723	18 002	2 041
1990	14 499	1 863	4 722	977	9 777	886
1994	6 398	1 103	10 235	1 960	-3 837	-857
1995	5 064	798	8 725	1 680	-3 661	-882
1996	5 407	843	9 708	1 970	-4 301	-1 127
1997	4 103	551	8 946	1 924	-4 843	-1 373
1998	4 371	–	8 276	–	-3 905	–
1999	3 669	378	8 487	1 855	-4 818	-1 477
2000	3 053	331	10 262	2 439	-7 209	-2 108
2001	4 832	524	12 260	2 929	-7 428	-2 405
2002	6 545	576	10 890	2 689	-4 345	-2 113
2003	10 578	499	16 165	4 316	-5 587	-3 817

Sources: SAIRR, *South Africa Survey* 2004/05; Simelane (1999); Stats SA, *Documented migration 2001, 2003*
Note: Prof./Semi-prof. for 1999–2003 includes technical occupations

Table 2.2.6: Unemployment rates for individuals with a tertiary qualification

Race group	1995	2002
African	10.01%	25.95%
Coloured	8.49%	9.86%
Indian	5.56%	8.21%
White	2.26%	4.63%
All	6.44%	15.37%

Source: Bhorat (2004)

Table 2.2.8: Sectoral employment distribution by race group, 2004

Race group	Formal sector	Informal sector	Domestic sector	Proportion of economically active population
African	60.1%	89.3%	89.7%	79.7%
Coloured	14.3%	4.8%	10.2%	8.9%
Indian	4.6%	1.2%	0.0%	2.4%
White	20.9%	4.7%	0.0%	8.9%

Source: Devey, Skinner & Valodia (2006)

measure of qualification for affirmative action would include estranged whites and disillusioned blacks in the equalising process, thereby reducing the incentive for emigration.

Educational output and employment input mismatch

Counter-intuitively, unemployment rates for individuals with a tertiary education who belong to previously disadvantaged population groups have worsened since South Africa's transition to democratic rule. It is true that broadened access to education has resulted in a greater number of university graduates, and that South Africa's inclusion in the global economy has ignited a growth in employment that outpaces the increase in the number of graduates passing through South Africa's tertiary education institutions, thereby creating a market for these additional graduates. However, it is a worrying discrepancy that these additional graduates, who are increasingly made up of affirmative-action-eligible candidates, remain unemployed in an economy where enduring cries of a skills shortage are combined with affirmative action in the employment sector.

In the case of Africans, who have experienced the greatest deterioration in unemployment rates, the figure stood at 25.95 per cent in 2002, an increase of over 150 per cent since 1995. Although whites with a tertiary degree in 2002 are doubly likely to be unemployed than they were in 1995, the unemployment rate for this segment of the population remains relatively low at just 4.63 per cent. See Table 2.2.6.

Table 2.2.7: Distribution of workers by occupational category and race group, 2003

Occupational category	African	Coloured	Indian	White
Top management	10.0%	3.4%	5.0%	81.5%
Senior management	10.8%	5.3%	6.3%	77.9%
Professionals and middle management	40.0%	6.0%	4.0%	50.0%
Skilled technical and management	35.8%	14.5%	7.0%	43.1%
Semi-skilled	61.9%	15.9%	5.3%	16.9%

Source: Moleke (2006)

Additionally, whites still hold the majority of top-level positions in the South African labour market, while Africans, coloureds and Indians, in general, are restricted to the lower occupational rungs (see Table 2.2.7). The South African employment scenario is such that 'racial division is clear, with whites dominating the first four occupational groups, which represent high-skilled workers, and the reverse true for semi-skilled workers where Africans dominate' (Moleke 2006).

A combined result of high unemployment rates among African, coloured and Indian graduates, and their deficient representation in the leading occupational categories, is a dearth of professional role models for youths belonging to these population groups. Instead, the need for the youth to become wage-earning members of the family is emphasised. Social conditions force Africans, coloureds and Indians to enter the labour market at a younger age, frequently in low-level occupations in the 'second economy'. This reality is evident in the over-representation of Africans and coloureds in the informal and domestic sectors, and their consequent under-representation in the formal sector (see Table 2.2.8).

There are two possible explanations for the apparent inconsistency between the increasing unemployment rates and the meagre representation in high-skilled jobs of the previously disadvantaged population groups, despite an expanding need, fuelled by a growing economy and affirmative action, for skilled African, coloured and Indian employees, specifically top-end managers.

First, underlying racism in South Africa's employment structure could be responsible for the inflated unemployment rates of African, coloured and Indian university graduates and their under-representation in high-ranking jobs.

However, it seems unlikely that racial discrimination would prevail to this extent in the face of the economic incentives provided to employers by affirmative action. Moreover, it is difficult to accept this explanation because it depends on the unconvincing assumption that racism has intensified in the South African economy in the post-apartheid age.

> In essence, there is a mismatch between the output of educational institutions and the requirements of the employment sector that cannot be bridged even by affirmative action.

A second, and more plausible, theory is that African, coloured and Indian 'tertiary graduates have qualifications unsuited for the world of work' (*Business Day* 03.07.06). While the proportion of African, coloured and Indian students continues to increase, with African students occupying 29 per cent of seats in tertiary education institutions in 1988, 45 per cent in 1993, and 56 per cent in 1998, a 'skewed revolution' is taking place. Despite the broadened interracial access to education, black students still tend 'to complete fewer years of higher education, be enrolled in technical rather than top universities, and be under-represented in the more professional courses' (Seekings & Nattrass 2005: 313). A major fraction of Africans, coloureds and Indians still graduate from 'black universities', tertiary educational institutions that were reserved exclusively for their respective racial groupings during apartheid. Additionally, many Africans still attend 'homeland universities'. As a whole, these universities remain under-funded, are unable to attract the best academics and, in general, maintain a low level of academic rigour, producing sub-standard graduates, ill-equipped to handle the mounting demands of South Africa's sophisticated economy.

In essence, there is a mismatch between the output of educational institutions and the requirements of the employment sector that cannot be bridged even by affirmative action. The dismal reality is recognised by Deputy President Phumzile Mlambo-Ngcuka, who acknowledges that 'while demand opportunities for graduates were there, matchmaking remained a challenge' (*Business Day* 03.07.06). This situation highlights the need for South African affirmative action policies in employment and education to be synchronised more effectively.

briefing

THE UNIONS AND THE LABOUR MARKET: POLITICS AND PREMIUMS

Martin Wittenberg

The labour movement played a major role in the political mobilisation that led to the end of apartheid; consequently, it has had considerable influence on post-apartheid labour market policy. Centralised bargaining was already a feature of South African labour markets in 1994, but the power of organised labour has been further entrenched through changes in employment legislation and the creation of additional structures, such as the Commission for Conciliation, Mediation and Arbitration.

Since the possibility of changes to key labour legislation was raised at the ANC National General Council last year, the temperature and intensity of political activism on the part of the Congress of South African Trade Unions has been rising with the ANC succession contest. As two-thirds of government employees are unionised, and paid a substantial premium over those outside government, this has considerable implications.

Some of the changes in the position of organised labour since 1993 can be tracked through various national household and labour surveys. They point in particular to three key developments:

- Since 1993 there has been a major increase in the rate of unionisation of government services. Accompanying this, the premium that government pays its own civil servants has increased strongly over this period. Traditional blue-collar unionisation, in contrast, appears either static or on the decline.
- Some polarisation between the earnings of unionised and non-unionised workers in the economy seems to have taken place. Union members seem to have made real wage gains on the whole, while the opposite appears true of non-union members.

Table 2.3.1: Unionisation rates as shown in national surveys, 1993–2005

Category	2005 Sept LFS	2000 Sept LFS	1995 OHS	1993 PSLSD
South Africa	32.3%	31.0%	33.6%	27.8%
National govt.	68.0%	66.3%		28.1%
Provincial govt.	72.4%	72.2%		31.7%
Local govt.	62.6%	57.3%		25.3%
Parastatals	57.9%	52.0%		33.6%
NGOs	13.5%	24.8%		6.6%
Private sector	23.9%	21.3%		31.1%
Managers	31.7%	24.0%	22.7%	11.6%
Professional	50.0%	43.2%	32.9%	25.4%
Technical	52.4%	52.9%	43.8%	
Clerks	36.1%	34.3%	30.8%	23.8%
Services	32.3%	33.1%	31.9%	16.0%
Skilled Agric./Fisherman	23.5%	9.0%	13.5%	3.0%
Craft	28.4%	32.6%	40.5%	40.3%
Operators	46.8%	46.4%	46.6%	53.6%
Elementary	22.3%	24.3%	24.2%	27.6%
Domestics	3.9%	1.5%	2.8%	3.8%

Source: Stats SA, *Labour Force Survey*, September 2000, 2005; *October Household Survey* 1995; Saldru (1994) *Project for Statistics on Living Standards and Development Survey 1993*
Note: The 1995 data set did not ask what type of employer the individual worked for, and the occupational categories in 1993 are not entirely equivalent to those of the other years

- Consequently, the 'union wage premium' seems to have increased over this period.

UNIONISATION RATES

Table 2.3.1 shows the changes in unionisation rates as estimated from four national household surveys. The aggregate unionisation rates hover around 30 per cent of all workers since 1995, but this masks some major changes in the composition of union membership over that period. The most dramatic expansion seems to have occurred in the government sector, where around two-thirds of all workers now belong to a union. This expansion is mirrored in the proportion of 'professionals' (mainly nurses and teachers) who now belong to a union. Around 50 per cent of all professionals now belong to a union, double the rate in 1993.

Parallel to this expansion in white-collar service unions, there seems to have been some attrition in the unionisation rates of blue-collar workers. Craft workers, operators and unskilled workers show somewhat lower unionisation rates in 2005 than they did in 1993 or 1995, and private sector unionisation rates seem lower.

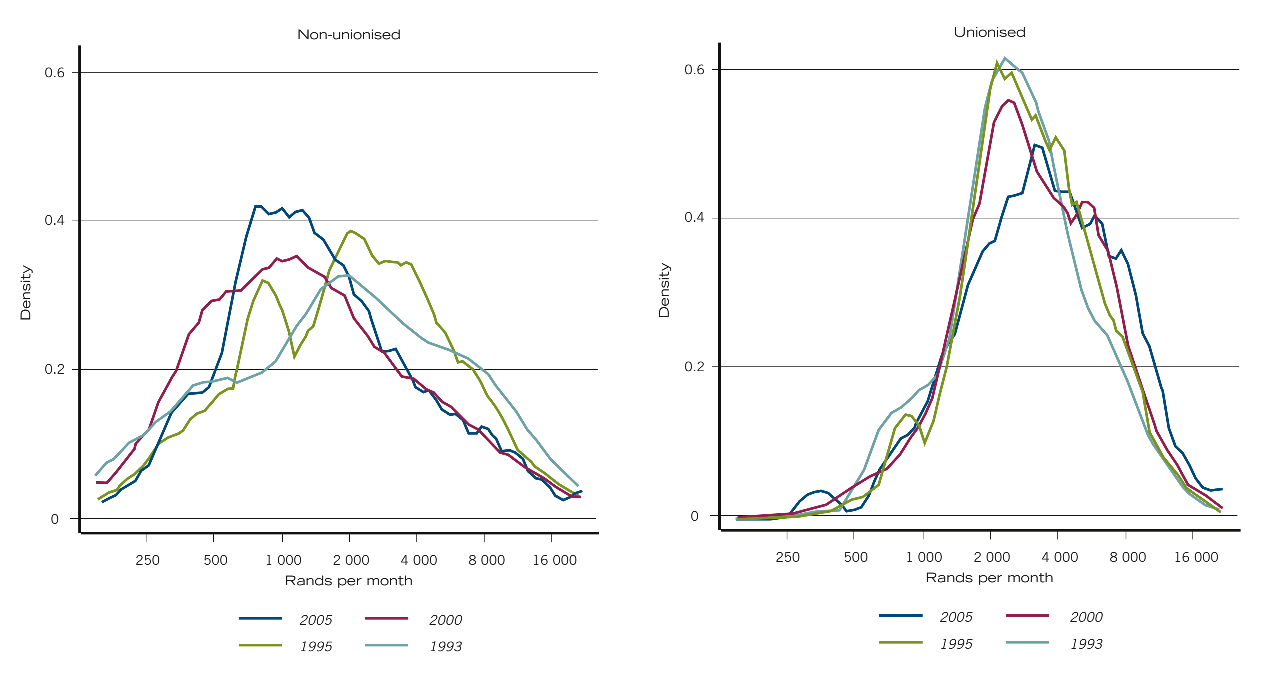
The sectoral breakdown (not given in the table) is consistent with this trend. Unionisation rates in manufacturing and construction are lower, while those in the services sector are up.

WAGES AND UNIONS

The evolution of real earnings over the four surveys is shown in Figure 2.3.1. Taken at face value, this shows a marked improvement in the earnings of unionised workers. Non-unionised workers, in contrast, seem to be earning less in 2005 than in 1993 or 1995. Of course, these graphs do not control for shifts in the composition of the two groups of workers. As some of the white-collar workers joined the unions, we would have expected some of the higher earning non-unionised workers to transfer to the unionised side.

In order to control for shifts of this sort, economists run 'earnings regressions' in which we try to explain the wages

Figure 2.3.1: Shifts in real earnings distribution, 1993–2005



Source: Kernel density estimates from Stats SA, *Labour Force Survey*, September 2000, 2005; *October Household Survey* 1995; Saldru (1994) *Project for Statistics on Living Standards and Development Survey 1993.*

that individuals obtain in terms of their observable characteristics, such as education and skills. Estimating these regressions on the four national data sets, and including controls for age, education, occupation, sector of the economy, employer (government or private sector), location, race and gender of the individual, we find that the union premium seems to have increased from around 17 per cent in 1993 to 24 per cent in 2005. If we restrict the comparison to African men working in the private sector, the premium has increased from 16 per cent in 1993 to 29 per cent in 2005. This suggests that union members earn 29 per cent more than non-union members who are similar to them in all the observable characteristics (education, occupation, age and so on).

The earnings regressions reveal a number of additional interesting features. The 'government sector' premiums all appear to have increased over this period. The national government seems to be paying 50 per cent more to its employees than the private sector does for the same level of skill, education and occupation. The corresponding differential in 1993 was 26 per cent. In the case of parastatals, the premium increased from 10 per cent to 40 per cent over this period.

It seems hardly coincidental that the government premium increased so markedly over the same period that saw unionisation rates also increase so rapidly. This strongly suggests that public sector unions have been successful in capturing at least some of the benefits of the growth in government expenditure. It is also suggestive of why the unions would be so interested in the question of the presidential succession.

EXPLAINING THE UNION WAGE PREMIUM

South Africa's union wage premium is high by international standards, though premiums have been found in all economies. The key question in all contexts is what sustains them. In a number of countries, it has been suggested that employers are happy to pay higher wages in return for higher-quality workers. Faced with having to pay a union premium, employers become more selective about who they hire and, as a result, unionised workers end up earning better wages for better work.

Another point made consistently by labour economists is that employers would not pay premiums if these put them out of business. Generally speaking, this implies that those firms that do pay premiums must have some pricing power (i.e. they must be able to pass the higher costs on to the consumers in some way). The government, of course, is the monopoly supplier *par excellence*. Nevertheless, many South African firms also have considerable pricing power. A University of Cape Town economist, Johann Fedderke, has estimated that pricing power in South African manufacturing is very high in comparison with other countries. This power is linked to the highly concentrated ownership of production in South Africa.

If we estimate an earnings regression for manufacturing workers only and put in the degree of concentration of the industry as an explanatory variable, it turns out that wages are perhaps 20 per cent higher in industries with the greatest concentration. Indeed, there is some evidence that the union premium is also higher in these sectors.

One of the reasons why concentrated sectors have generally higher wages is that these sectors also lend themselves most readily to centralised bargaining. Naturally, such centralised bargaining can be extended to all other firms in the sector. Arguably, this is one of the mechanisms through which the concentration of the sector is sustained. Relatively high union wages can act as a deterrent to the entry of more labour-intensive small firms.

If this mechanism is, indeed, in operation, then the biggest impact of unions on the South African labour market is through the way in which they help to shore up a highly oligopolistic form of production. The *quid pro quo* is that such firms are in a much better position to pay.

Chapter 3

EDUCATION

CHAPTER OVERVIEW

This year, the National Minister of Education advanced three priorities that will drive the expansion of spending in the sector in the medium term. By 2008/09, South Africa will be spending R112 billion per year on public provision of education. This amounts to nearly 20 per cent of non-interest expenditure, the largest spending on a single sector, and is over R26 billion more than the current fiscal year's allocation. Alta Fölscher sets out the programmes to be undertaken.

Nick Taylor focuses on efforts to upgrade education, and maps the types of South African school. He argues that the school system consists of three classes of institution, and reports that research information about the characteristics of the respective types is guiding the formulation of a differentiated set of responses to the problem of school quality. A tiny band of schools situated in the poorest communities provide some of the highest quality education. These schools are performing heroic deeds under difficult conditions, and serve as role models for the rest of the system; they should be prioritised for investment. A second group of schools, also mainly situated in the townships and rural areas, is on the way to excellence. Nevertheless, in the medium to long term, the highest priority must be to develop strategies for improving quality in the poorest performing schools, whose difficulties have proved intractable.

Social mobility from generation to generation (as influenced by educational qualifications) indicates access to opportunity and how the current generation of African youth is overcoming or being hampered by their historical disadvantage. Megan Louw, Servaas van der Berg and Derek Yu argue that, from a broader welfare perspective, social mobility represents one of the major forces that drive change in the distribution of income.

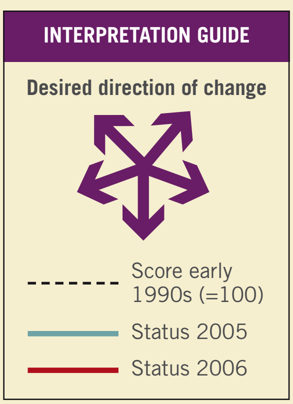
Education and skills development scorecard

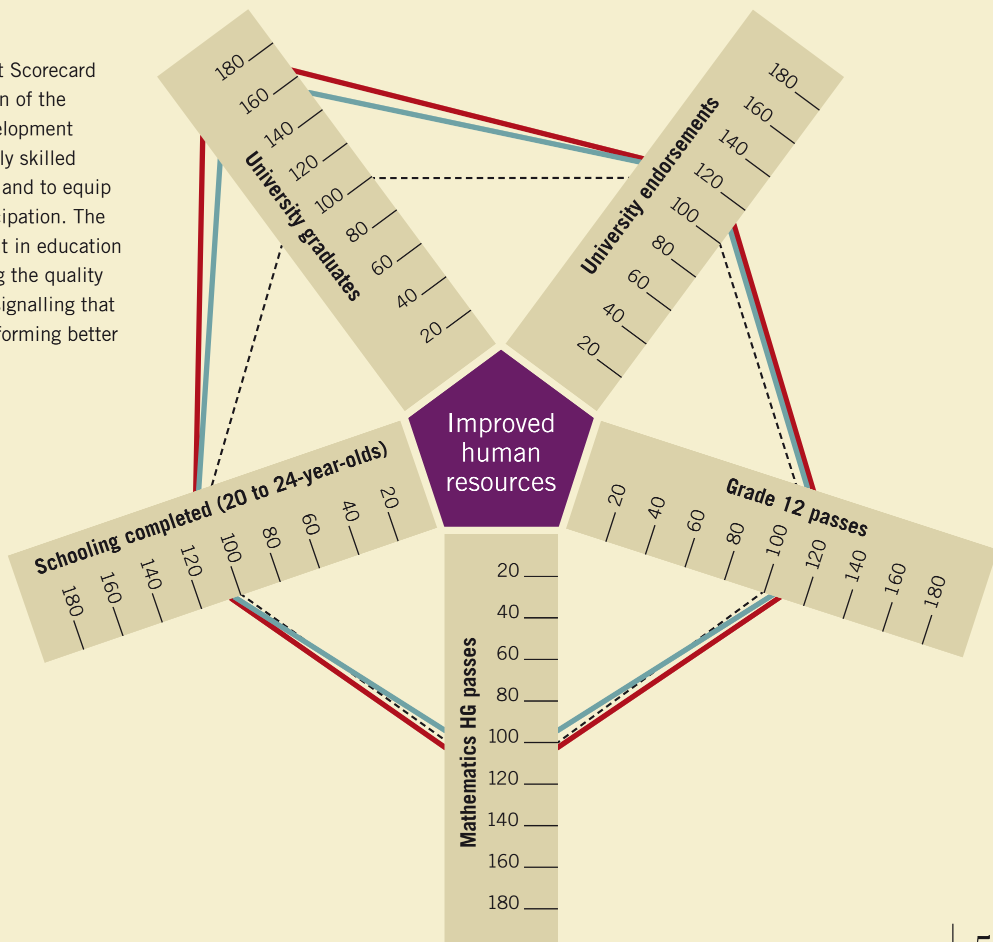
Transformation goal	A human resources development system that produces an employable labour force and provides the necessary scarce skills to sustain economic growth				
Desired outcome	**Indicator**	**Status 1990–1994** [1]	**Status 2005** [2]	**Status 2006** [3]	**Direction of change**
Providing scarce skills to grow the economy	Maths HG passes as percentage of cohort	2.7% 22 300 [4]	2.5% 23 413	2.7% 26 383	↑
	Grade 12 passes as percentage of cohort	33.2% 271 098 [4]	34.6% 330 717	35.9% 347 184	↑
	University endorsements	78 713	85 117	86 531	↑
	University graduates	43 567 (1993)	65 435 (2003)	71 243 (2004)	↑
Employable labour force	Average years of schooling successfully completed in the 20 to 24-year-old cohort	9.66 (1995)	10.02	10.16	↑

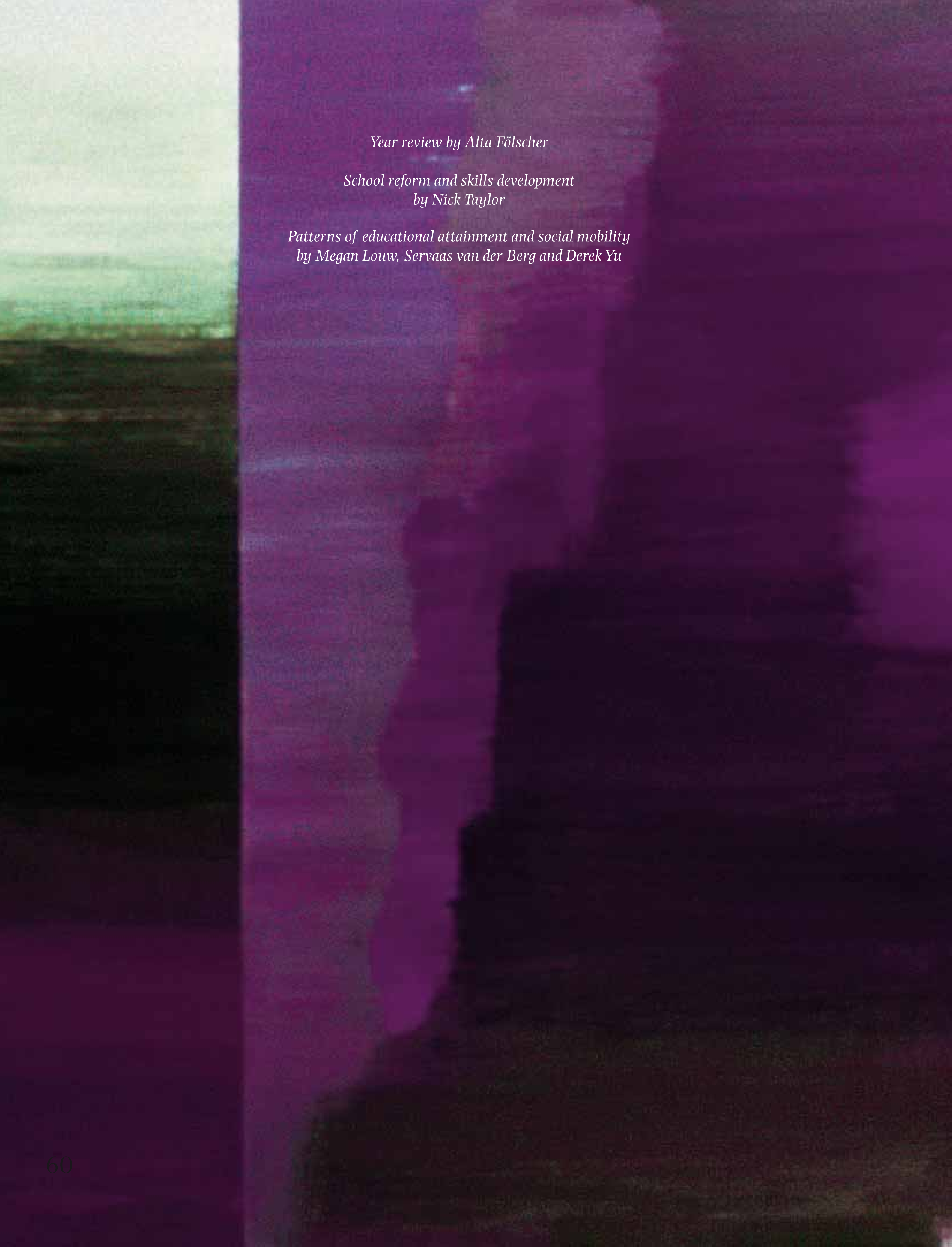
Sources: National Department of Education datasets; Cohort estimates from UN Population Division's series <http://esa.un.org/unpp/index.asp?panel=2>; Stats SA, *October Household Survey* 1995; *Labour Force Survey* September 2004, September 2005

1. Average 1993 to 1995, unless otherwise indicated
2. Data for 2004, unless otherwise indicated
3. Data for 2005, unless otherwise indicated
4. Excluding independent schools

The Education and Skills Development Scorecard and Star provide a snapshot impression of the ability of the education and skills development system to produce enough appropriately skilled workers for growth and transformation and to equip individual learners for economic participation. The scorecard shows a further improvement in education outcomes, particularly those indicating the quality of student exiting the school system, signalling that the education system may now be performing better than in the early 1990s.







Year review by Alta Fölscher

School reform and skills development
by Nick Taylor

Patterns of educational attainment and social mobility
by Megan Louw, Servaas van der Berg and Derek Yu

review

EDUCATION: EXPENDITURE, QUALITY, EQUITY

Alta Fölscher

Education continues to be the single largest item of national expenditure, though vexed with questions of effectiveness. In her budget speech this year, the National Minister of Education advanced three priorities that will drive the expansion of spending in the sector in the medium term. By 2008/09, South Africa will be spending R112 billion per year on public provision of education. This is nearly 20 per cent of non-interest expenditure, the largest spending on a single sector, and over R26 billion more than in the current fiscal year. By the end of this fiscal year, the provision of education services is budgeted to absorb 20.2 per cent of non-interest spending, or 5.4 per cent of GDP.

POLICY PRIORITIES

Improving equity and quality

The first policy priority identified by the minister is school improvement, equity and the quality of public school education. Studies in the *Transformation Audits* of 2004 and 2005 on the outcomes of public schooling have demonstrated and quantified the unequal distribution of quality schooling among population groups. The key finding of the 2005 Audit study was that the great majority of South Africa's schools (i.e. historically black schools) are dysfunctional in that they are not able to counteract key effects of poverty on educational performance. This inequality of outcomes has persisted despite the redistribution of resources to channel more money per learner to historically disadvantaged schools.

South Africa's poor performance compared to countries at a similar level in various international assessments of education quality reflects these problems; this despite it spending a relatively higher percentage of GDP on education. The 2005 standardised assessment test for Grade 6 learners also showed that the majority of learners were achieving far below expected levels: 63 per cent in language, 81 per cent in mathematics and 54 per cent in natural sciences received 'learning outcome not achieved' assessments, with a relatively small percentage of learners – 28 per cent in language, 12 per cent in mathematics and 31 per cent in natural sciences – functioning at or above the required Grade 6 level (DoE 2005).

The geographical location of schools and socio-economic status of learners had a significant impact on learner achievement, with those in urban areas performing better than their counterparts in rural schools, and with learners in the lower socio-economic categories faring worse than learners in the higher categories.

The government is introducing the following programmes over the medium term to improve the quality of schooling equitably:

- *The quality improvement and development strategy*. This strategy will run for the next five years and involves a significant input of resources to the provinces, to enable each to identify 5 000 low-performing schools in the least able districts using past senior certificate performance as an indicator. The National Department of Education has identified 31 of the 79 school districts as poor performers (and only six as high performers). Schools in these districts will be provided with support in the form of libraries, laboratories, teaching materials and school-based educator development programmes. The strategy includes annual school-based assessments, and regular reporting on learning assessments to provincial and national departments of education. The final component of the strategy is improving the distribution of qualified mathematics and science teachers across the system, through the creation of posts and the appointment of qualified teachers to high schools that do not have them.
- *No-fee schools*. The 2005 Education Amendment Bill scheduled provision of no-fee schools only for 2007; however, due to the political urgency of the issue, provincial education departments have already received increased allocations to cover these schools from the 2006/07 budget year. Some 20 per cent of learners are targeted for 2006 and 40 per cent for 2007. Just over 9 000 schools have already been declared no-fee schools – more than the target. Despite a high gross enrolment rate, particularly at primary level, the South African education system is characterised by low school attendance at both primary and secondary schools, particularly among the poorer sectors of the population. The abolition of fees

in target schools is aimed at improving school attendance. Schools will be compensated by increased allocations.

- *Improving district-level support*. The National Department of Education has put in place a policy framework that aims to improve district-level capacity to support schools. This includes making available more curriculum experts and education planners at district level. A recent report to the department identified districts as the weak link in the education management chain: shortages of equipment, systems and human resource capacity at this level result in inadequate support for schools and a de-linking of schools from the provincial education headquarters.
- *Improving teacher quality*. The National Department of Education is developing a framework for the professional development of teachers, and has mooted the possibility of a licensing system for teachers. Bursary loans to teachers, tied to service contracts, are being reintroduced in order to attract new, qualified teachers into the system. Initially, the bursaries will be aimed at scarce skills, such as mathematics, natural science and technology, as a well as African languages. Teacher pay has also accelerated, and a system to manage the awarding of performance awards in the sector is being developed.

The further education and training sector

The second priority is investment in the further education and training (FET) sector. Policy initiatives here rest on two legs: firstly, the introduction of the new national curriculum statement for secondary schooling, particularly in the senior (or FET) stream; and, secondly, the refurbishment of the FET colleges.

The new curriculum comprises 29 subjects, and mathematics will be compulsory, either in the form of mathematics literacy or as a subject in itself. Grade 12 students will be required to sit for exams in seven subjects. The first National Senior Certificate examination under the new statement will be written in 2008. In June this year, when the first secondary school examinations under the new curriculum were written, commentators were alarmed at the poor performance of Grade 10 learners. In the Western Cape, 60 per cent of learners did not pass. Subsequently, this has been attributed to the elimination of the two-grade system (whereby a failure in a subject written at higher grade could be converted into a standard grade pass) and to the overall higher standards demanded by the new curriculum. However, the poor performance highlights the work required to build teacher capacity and prepare learners for 2008.

FET colleges, which specialise in technical and vocational training, are being put forward as the formal education sector's key contribution to the Joint Initiative for Priority Skills Acquisition. The aim is for FET colleges to become skills training centres focused on key economic growth sectors. A total of R2 billion has been committed to modernise the colleges, and to enable them to offer 13 new training programmes in scarce skills areas such as engineering and construction. The aim is to double the number of students enrolled at FET colleges, and to cater for adults and out-of-school youths, in addition to those exiting the school system.

Higher education

Higher education provision is the third priority area. After the university mergers of recent years, the focus is to shift to addressing the unequal quality of institutions in the sector. The National Department has earmarked those institutions offering programmes that are not supported by the relevant equipment, staff or curriculum development. Merger funding of more than R1 billion has been provided to support financial recovery, renewal of infrastructure, refurbishment of residences and support for academic development. Low throughput rates at first-year level and low enrolment in science, engineering, technology and commerce have been identified as vital policy areas. Tuition fees are also a matter of concern. Income from student fees at tertiary institutions has doubled over the past five years, but student fee collections remain contentious.

SPENDING PATTERNS

Funding allocation patterns over the medium term in the consolidated national education budget broadly follow the identified priorities. Between 2005/06 and 2008/09, real consolidated national expenditure on education grows by 13.1 per cent. National spending, however, grows a bit faster, at 16 per cent in real terms, while provincial spending grows at 12.4 per cent. The increase in education allocations over the next three years will be driven by accelerated spending on the FET colleges, and on adult basic education and early childhood development programmes (see Table 3.1.1).

While spending on the education sector grows by 14.6 per cent in real terms between the current fiscal year and

Table 3.1.1: Consolidated expenditure on education by share, 2005/06–2008/09

Category	2005/06 (revised)	2006/07 (budgeted)	2007/08 (projected)	2008/09 (projected)	2005/06–2008/09 (real spending change)
Administration [1]	5.9%	5.8%	5.6%	5.6%	8.2%
System planning and monitoring [2]	0.0%	0.1%	0.1%	0.1%	38.1%
General education [1]	72.0%	71.0%	71.1%	70.9%	12.9%
FET [1]	2.1%	3.0%	3.0%	3.3%	81.6%
Quality promotion [2]	1.3%	1.2%	1.2%	1.2%	-1.5%
Higher education [2]	12.6%	12.7%	12.5%	12.4%	12.5%
Independent schools [3]	0.4%	0.4%	0.4%	0.4%	16.0%
Public special education [3]	2.3%	2.4%	2.4%	2.3%	15.3%
Adult basic education [3]	0.8%	0.9%	0.9%	0.9%	30.8%
Early childhood development [3]	0.6%	0.7%	1.0%	1.2%	145.3%
Auxiliary and other [1]	1.9%	1.9%	1.9%	1.8%	5.9%
Total	100%	100%	100%	100%	14.6%
Allocated non-interest expenditure	21.1%	20.2%	20.2%	20.1%	20.4%

Sources: Provincial budget documentation (2006); National estimates of expenditure 2006; National Treasury (2006)
Note: 1 = Combined national and provincial expenditure; 2 = National expenditure only; 3 = Provincial expenditure only

Table 3.1.2: Provincial education spending and outcomes

	Spending per learner, 2005 [1]	Real growth in spending, 2005/06–2008/09		Selected outcomes, 2003		
		Overall education	General education	School attendance rate 16 to 18-year-olds	Percentage of cohort with matric passes	Percentage change from 1995 in labour force without Grade 9
Eastern Cape	R5 595	24%	24%	79%	22%	-2.8
Gauteng	R6 905	18%	16%	86%	41%	-1.8
Limpopo	R6 037	14%	20%	90%	39%	-5.8
KwaZulu-Natal	R6 342	13%	11%	82%	35%	-3.7
Mpumalanga	R7 263	11%	9%	87%	31%	-3.7
Western Cape	R7 414	11%	10%	72%	40%	-10.6
Northern Cape	R7 539	10%	13%	72%	32%	-10.8
North West	R8 015	6%	5%	84%	33%	-5.5
Free State	R7 876	6%	6%	85%	30%	-9.2

Sources: Van der Berg (2004); DoE (2006a, 2006b); Provincial budget documentation (2006)
Note: 1 = Spending in public ordinary schools, independent school subsidies, special education and early childhood development programmes (learners in the general education and training band)

2008/09, this is less than the overall growth in real expenditure of over 20 per cent, and it is unevenly distributed across provinces. Table 3.1.2 shows that while some provinces are aiming at expenditure growth in excess of the national rate, others are planning growth of less than half the national trend. The province with the fastest growing expenditure, Eastern Cape, does so from the lowest spending per learner and on the back of relatively poor 2003 results and attendance.

The outlier is Gauteng, where spending is growing the second fastest in real terms, but from a relatively high base of spending per learner and comparatively good 2003 results. The two provinces where spending is growing slowest, North West and Free State, are already spending the most per learner. Their school attendance places are fifth and fourth respectively, though their results are relatively poor, with Free State in the bottom half of the provinces with regard to the percentage of the age cohort with matric passes in 2003.

The education scorecard in this year's *Transformation Audit* indicates a gradual improvement in education performance between 1995 and 2005. The increase in real spending that is budgeted at national and provincial level over the medium term augurs well for future outcomes, but significant challenges remain.

Table 3.1.2 illustrates that high relative spending and relative outcomes in general education do not always coincide: in four of the five provinces that spent more than R7 000 per learner in 2005, less than a third of the age cohort achieved matric passes.

At the centre of the education dilemma is the ability of management structures at provincial level to properly implement national strategies for improvement and to convert increased funding into better outcomes. In addition to the problems of funding and access, significant challenges remain in higher education to improve the quality of graduates from lower-achieving institutions.

research

SCHOOL REFORM AND SKILLS DEVELOPMENT

Nick Taylor

SKILLS FOR A MODERN DEMOCRACY

Although South Africa has made important strides in the last decade towards building economic prosperity for a broader range of its citizens than ever before, consolidation and further growth of the country's productive capacity is now inhibited by a severe shortage of skills. There is much talk of finding ways for high schools to produce greater numbers of matriculants with mathematics and science, and of developing the colleges of further education in order to provide the technical skills needed to drive the economy.

There is a good deal of sense in this, and these things certainly need to be done, but a prosperous and peaceful society is much more than one with a high proportion of engineers and technicians, and schools are about much more than the production of technical skills. The elements that are less prominent in the current public debate are not merely frills to be added once the hard hats have laid the foundations – they constitute the very bedrock of a modern democracy. Schools are the crucibles in which the citizens who make up a modern state are forged.

The first point to be made about the skills provided by schools is that mathematics, science and technical expertise, crucial as they are to developing a sophisticated economy, are not the most important elements of the curriculum. Even more important is the development of general cognitive ability, which is achieved through fostering analytical language skills, such as classifying and categorising ideas, distinguishing cause from effect, and offering counter-arguments to assertions. Extensive reading and writing are the keys to nurturing these abilities, which, in turn, underlie virtually any complex task in fields as widely divergent as commerce and the creative arts, political leadership and policing, or legal judgment and the administration of a local government or the national lotto.

Perhaps even more important than both language and mathematical skills are the less obvious socialising effects of schools. Good schools are ordered institutions that cultivate a strong work ethic, the ability to perform under pressure, and a sense of initiative and responsibility. They teach children, both in the way they operate and in the values they espouse, that expertise and principle, not patronage and corruption, are the paths to sustainable success. They are places where future citizens learn to appreciate cultural diversity and to resolve their differences through the application of rational rules.

Without these habits of mind and knowledge skills, school leavers do not have the wherewithal to make a constructive contribution to society; consequently, they are easy prey to a life of unemployment, crime or corruption. South Africa's great tragedy at the present time is not poverty, high levels of crime or rampant inefficiency in the civil service. Profoundly problematic as these issues certainly are, they are manifestations of a deeper problem underlying our society – the inability of most schools to provide young people with the attitudes and intellectual skills required to build a modern state.

A MAP OF SOUTH AFRICAN SCHOOLING

What is the extent of the problem described above? An analysis of the results of the annual Senior Certificate (SC) examination reveals that close to 80 per cent of South Africa's schools are essentially dysfunctional. Table 3.2.1 shows school quality as measured by performance in SC mathematics. In no way does this imply that the

Table 3.2.1: Distribution of high schools by performance in SC mathematics, 2004

Category	Formerly privileged schools	African schools	Sub-total	Proportion of total	Proportion of HG maths passes
Top performing	380	34	414	7%	66%
Moderately performing	254	573	827	14%	19%
Poorly performing	600	4 277	4 877	79%	15%
Total	1 234	4 884	6 118		

Source: Simkins (2005)
Note: Under apartheid, 'privileged schools' were administered by the House of Assembly (white), House of Representatives (coloured) or House of Delegates (Asian); they were relatively more privileged than those for Africans, with white schools significantly more privileged than those for any other group; 'top performing' schools produce at least 30 maths passes in the SC examination, with at least 20 per cent HG, moderately performing schools produce at least 30 maths passes, mostly standard grade (SG), while poorly performing schools fail to achieve 30 passes in maths

production of higher grade (HG) mathematics passes should constitute the main goal of schools. Mathematics is used here as a proxy for quality, based on the assumption that the kind of sustained and systematic teaching and learning required to produce high numbers of HG mathematics passes can only be achieved by good schools, as defined above.

Four features of Table 3.2.1 are worth noting. First, 79 per cent of the country's high schools fall into the poorly performing category, producing only 15 per cent of all HG passes in mathematics. The overwhelming majority of children attending these schools are poor and African. Second, two-thirds of HG mathematics passes are produced by a small minority (7 per cent) of schools. The majority of these were privileged under apartheid, although 34 of them have a history of disadvantage. Third, 600 formerly privileged schools fall into the poorly performing category. These are underperforming relative to their history of privilege. Fourth, more than 600 African schools are classified as top or moderately performing. They are the country's star performers, producing excellent results despite their disadvantaged history and the fact that they continue to serve poor to very poor communities. Many schools in this group share the same socio-economic conditions as those languishing in the poorly performing category. Yet they are able to transcend their circumstances and provide good educational opportunities to poor children, thereby immeasurably advancing their life chances.

Although there is no indicator comparable to the SC examination at the primary level, which is itself a problem, all indications are that the performance of South Africa's 23 000 primary schools is distributed similarly to the pattern shown in Table 3.2.1. The following key questions for South African schooling must be asked. What is it that enables the top and moderately performing schools, particularly those serving a majority of African pupils, to achieve good results? How can these practices be generalised to the majority, which are failing their pupils? The answers are surprisingly simple, yet extraordinarily difficult to implement, an issue discussed in some detail below. The school categories of Table 3.2.1 may be reclassified into the three groups shown in Table 3.2.2, each of which requires a quite different intervention strategy for improvement. Again, although these figures are for high schools, everything that is known about primary schools indicates that they exhibit a similar distribution.

Table 3.2.2: Three high school types, based on 2004 SC results

Category	Formerly privileged	African
Top and moderately performing	'The engines of production' 10% of schools HG maths pass: 17 413 (75%) African : other = 1 : 8.5	'Dinaledi-type schools' 10% of schools HG maths pass: 3 277 (14%) African : other = 11.8 : 1
Poorly performing	'The masses' 80% of schools HG maths pass: 2 562 (11%) African : other = 5 : 1	

Source: Calculated from Simkins (2005)

'THE ENGINES OF PRODUCTION'

This category of schools is relatively privileged. Except for a significant number in the Western Cape serving poor coloured children, these schools, by and large, draw their pupils from middle-class families. They produce 75 per cent of all HG mathematics passes, although only one of these is obtained by an African pupil for every 8.5 obtained by pupils from other race groups. The low ratio for the success of African pupils in these schools is explained partly by the very poor foundation they receive at primary level, and partly by their comparatively low enrolments relative to pupils of other races at such schools.

However, on the issue of demographic profile, this is a very heterogeneous group; apart from most of the top Afrikaans-medium schools, which remain almost exclusively white (an issue complicated by the question of home language), these schools exhibit the full range of African enrolment, from a low of around 25 per cent through to 100 per cent. Furthermore, not only are these schools enrolling increasing proportions of Africans, but the success of African pupils is also advancing; thus, the ratio of 1 : 8.5 for Africans achieving HG mathematics passes in 2004 was an increase on the 1 : 10.5 of just two years previously (Simkins 2005). Nevertheless, there is a long way to go before these schools provide parity of opportunity for poor African pupils.

On the question of resources, the position of the 'Engines of production' is complicated by three factors. First, they inherited generally excellent infrastructure, teachers and management capacity from the apartheid days. Second, they are able to demand relatively high fees, although not only is this highly variable, but the ability to collect fees is weakened to the extent that they admit increasing numbers of poor children. Third, government funding formulas, which distribute the non-personnel component of the budget in direct proportion to the poverty ranking of the school, take no account of the family means of pupils enrolled at the school. Thus, these schools are not rewarded for enrolling poor pupils; indeed, it is to their material disadvantage to do so. As a consequence, the plant and property, and cognitive (libraries, laboratories) and human resources of many of these schools are deteriorating, and their ability to provide excellent opportunities to all pupils is eroding.

Warning bells are ringing. No country can afford to have the most productive elements of its school system run down, particularly where these provide 75 per cent of high-level skills. However, a simple solution is at hand. If incentives were provided to these schools to increase the numbers of poor African pupils achieving the best results, then not only would the national production of skills be significantly improved, not only would the cause of equity be advanced, but the capacity of the 'Engines of production' would be strengthened. The only factor standing in the way of this obvious solution is politics: sensitivities surrounding the provision of any additional resources to schools that benefited from the inequities of apartheid render this path very difficult, at best, for any politician, despite the great danger attendant on neglecting these schools, and despite the potential they hold for increasing the life chances of poor children.

'DINALEDI-TYPE SCHOOLS'

In April 2006, the Minister of Education re-launched the Dinaledi project under a new design. Whereas the first phase of Dinaledi (2000–2004) focused on 102 mainly poorly functioning high schools, Dinaledi II has selected 400 moderately performing schools, across the nine provinces, which produce at least 35 SC mathematics passes amongst African candidates. In addition, three provinces (Western Cape, Gauteng and KwaZulu-Natal) have chosen to include a number of 'formerly privileged' schools that meet the criteria of the Dinaledi project; these are schools classified above as 'Engines of production', and thus, to a limited extent, the government is biting the hard political bullet, in the interests of equity and efficiency. Dinaledi-type schools are undoubtedly the stars of the system, achieving good to excellent results under difficult conditions, and a tacit aim of the government's Dinaledi project is to create a vortex in the wake of their success, a set of role models, which inspire poorly performing schools to improve their performance and which provide clear lessons on how to do so.

The explicit aim of Dinaledi II is to double the number of mathematics passes for African pupils in the next five years, and to increase the HG : SG ratio. It is intended to achieve this goal by training teachers, providing incentives to teachers and schools, and improving infrastructure, facilities and equipment. The government has requested assistance from the private sector in the following areas:

- media centres, and science and computer laboratories;
- support for information and communications technology infrastructure and connectivity;
- computers for school administration;
- site infrastructure to beautify schools and extend learning (e.g. libraries);
- payment of assistant teachers in schools and district offices;
- teaching and learning materials – textbooks, study guides, scientific calculators for Grade 11 and 12 pupils, teacher support packs, scientific dictionaries, science demonstration equipment, laptops for teachers, and audio-visual teaching equipment;
- exposing teachers to good practice, mentoring and coaching; and
- support for pupils through career guidance, Olympiads and competitions, and bursaries for further study.

Following the government's lead, several school improvement initiatives supported by corporate donors are targeting primary and secondary schools that have minimum levels of productive capacity. Companies are teaming up with the government in supporting Dinaledi II schools, and they are searching for non-Dinaledi moderately performing schools, or for schools at the upper end of the poorly performing category.

The government has explicitly requested corporate donors and non-governmental organisations (NGOs) not to undertake training interventions in Dinaledi schools. This request arises from the mixed record of success of such training initiatives in the past, and the determination of the government to investigate a more effective approach to developing teacher capacity.

Before the end of apartheid rule in 1994, school improvement was pre-eminently the domain of NGO activity, with civil society bodies positioning themselves in opposition to the apartheid state and striving to counter the ruling ideology by means of in-service teacher-training programmes. Pupil-centred classrooms were seen as a route to democracy and liberation, and their promotion became the prime focus of NGOs involved in the education sector. Pupil-centred methods are associated with what Bernstein (1996) called competence pedagogies, which assume a universal democracy of acquisition (all children are inherently competent and there are no deficits, only differences); they are based on constructivist learning theories, and insist on high levels of professional discretion in matters of curriculum and assessment on the part of the teacher. These programmes have a long history in South Africa and many continue to exist alongside a host of interventions that have developed in the last two decades.

The training model adopted for Dinaledi II differs markedly from the majority of programmes that have been embarked on over the last two decades, and which have been only marginally effective in improving student performance. Whereas much in-service training to date, provided by the government, universities and NGOs alike, has concentrated on the principles of child-centred pedagogy and outcomes-based education, Dinaledi II will emphasise the content knowledge required to teach specific subjects. Furthermore, teachers will receive a cash payment for attending the project's full 100-hour programme, and a further sum if they perform adequately in a post-training test.

'THE MASSES'

Intervention programmes

The development of the country's poorest schools has been a prime focus of donors, both international and local corporate, over the last two decades. It has been estimated that in the order of R1 billion per annum is spent on school improvement programmes (Taylor, Muller & Vinjevold 2003). Before the turn of the millennium, these initiatives did not attempt to measure their impact through assessing improvements in pupil learning. One of the earliest programmes to show success on this measure was the District Development and Support Project (DDSP) (2000–2002). Working in 453 primary schools in the four poorest provinces, interventions were directed at improving the functionality of districts and schools and improving classroom teaching in language and mathematics. Tests of Grade 3 pupil performance in literacy and numeracy were conducted during each year of the programme, and again one year later. Significant positive changes were recorded (12.2 per cent in numeracy and 4.6 in literacy), and these were holding steady a year after the closure of the DDSP (see HSRC 2003).

An analysis of the factors responsible for these learning gains concluded that, against the backdrop of training in mathematics and literacy provided to schools throughout the life of the project, the gains were associated with two features adopted in 2002 – increased pressure, in the form of demands that test results improve, and the introduction of targeted support measures in the form of detailed specifications of the curriculum, pupil workbooks and item banks of exercises (Schollar 2006). In contrast to the competence (pupil-centred) approach, which prevailed prior to 1994 and which lay at the heart of Curriculum 2005, these features are characteristic of what Bernstein (1996) termed performance pedagogies, which assume that learning is enhanced if teachers are allowed less autonomy with respect to curriculum matters and are required to follow a common, structured programme.

The Learning for Living (LFL) project (2000–2004) is a second example of a primary-level intervention. Working in 898 primary schools across the nine provinces, and aimed at improving reading performance, the programme trained principals and teachers in the use of a cyclical set of reading and writing activities, visited classrooms to support and monitor the work of teachers, and saturated target schools with books and other reading materials. The first cohort of schools, which experienced the full five years of intervention, showed learning gains of 8.4 percentage points in reading and 5.3 points in writing when compared with a set of control schools. The evaluation concluded that these gains could be attributed to the intervention with a 95 per cent level of confidence (Schollar 2005).

In contrast to the DDSP and LFL, which targeted primary schools, the Quality Learning Project (QLP) (2000–2004) worked in 524 high schools selected by the nine provincial Departments of Education. The QLP delivered training and support programmes aimed at achieving better management of districts and schools and improved classroom teaching. A longitudinal evaluation found that QLP schools achieved significantly better results in the SC examination than both the national mean and a set of comparable control schools (Kanjee & Prinsloo 2005).

QLP schools showed several improvements relative to control schools:

- in the area of school leadership and administration, planning and financial management improved in project schools, although the general level of management remained low;
- two components of curriculum leadership at the school level stood out – monitoring curriculum delivery and support to teachers; and
- at the classroom level, significant improvements were noted in the degree of curriculum coverage completed by QLP classes, teaching to the appropriate level of cognitive demand, and the quantities of reading, writing and homework undertaken.

Path analysis modelling revealed that QLP interventions affected the functioning of the system in districts, schools and classrooms, improving indices of functionality relative to those for control schools at all three levels. These improvements, in turn, were associated with improved learner performance. Most notable was the effect of language-across-the-curriculum interventions on the SC pass rate: the implication is that good reading and writing skills are a prerequisite for good performance in all subjects and that intervening in this area can effect significant improvements in pupil performance.

The evaluation also noted that 13 of the 17 QLP districts were restructured during the life of the project, and that some of them experienced repeated restructuring events. These findings reflect a major problem inhibiting the full implementation of systemic reform initiatives in South Africa. Not only are the provincial and district bureaucracies extremely weak – characterised by large numbers of vacant posts, poorly developed management systems and a paucity of essential resources, such as vehicles to visit schools – but many are in an ongoing state of instability due to frequent restructuring and personnel changes. Restructuring invariably follows a change of senior management, with the new leader ordering a reshuffle of roles and responsibilities, along new lines of patronage.

Under these circumstances, schools are essentially on their own, with virtually no support or monitoring from districts. The point is emphasised by another finding of the QLP evaluation study – no learning gains were discernible in mathematics at the Grade 9 or 11 levels. In the light of the very impressive improvements at SC level, the most likely explanation for this result is that, whereas intense pressure is put on schools to perform in the SC examinations, no monitoring is applied at lower levels of the system.

The first phase of the Dinaledi project, working in 102 poor high schools across the country, was driven from the national Department of Education. It appears that at least some provincial departments did intervene at the school level, but by and large there seems to have been little participation by the relevant district offices. Training was provided and materials supplied to teachers and principals (Human 2003). Although no objective evaluation was conducted on Dinaledi I, comparisons with the national results show that project schools performed better than the mean on a number of indices.

The four examples of school improvement programmes described above demonstrate that the quality of education provided by many poor primary and secondary schools can be significantly scaled up by improving school management and classroom teaching. However, there is a ceiling on what can be achieved, a point discussed below.

Both Dinaledi I and QLP, on average, showed impressive overall gains compared with the national mean, but a high proportion of schools in each programme did not benefit at all from the intervention. In both cases, a significant number of schools failed to produce a single pass in HG mathematics after four or five years of intense intervention: such schools are impervious to the kinds of intervention applied to date by both the government and non-government sectors.

Table 3.2.3: A comparison of QLP SC results with the national mean, 2000–2004

	Increase 2000–2004								
	Passes		Exemptions		HG maths		SG maths		Pass change
Total QLP	4 167	18.3%	1 182	34.8%	585	152.3%	8 741	137.5%	14.0%
Total SA	47 314	16.7%	16 493	24.0%	8 466	47.0%	46 512	58.0%	12.8%
Difference		1.6%		10.8%		105.3%		79.5%	1.2%

Source: Kanjee & Prinsloo (2005)
Note: The difference is computed by subtracting the percentage gains on baseline scores exhibited by the national mean over the life of the project from those exhibited by QLP schools

Table 3.2.4: A comparison of Dinaledi I SC results with the national mean, 2001–2004

	Increase 2001– 2004												
	Passes		Exemptions		HG maths		SG maths		HG science		SG science		Pass change
Total Dinaledi	876	10.4%	613	29.7%	476	94.6%	484	14.6%	467	64.4%	44	1.8%	3.6%
Total SA	53 511	19.3%	16 797	25.6%	180	0.7%	25 691	26.3%	-6 063	-16.6%	-6 462	-7.8%	9%
Difference		-8.9%		4.1%		93.9%		-11.7%		81.0%		9.6%	-5.4%

Source: Calculated from SC results, 2001–2004
Note: The difference is computed by subtracting the percentage gains on baseline scores exhibited by the national mean over the life of the project from those exhibited by Dinaledi schools

The same patterns are evident in the DDSP and LFL project schools, as is the case for all smaller programmes of this kind in which impact has been measured. Thus, the first major lesson to emerge from the intensive activity over the last two decades aimed at improving teaching and learning in poorly performing schools is that only a fraction of such schools are amenable to improvement. The remainder are able to absorb all resources directed towards them without showing any signs of the slightest improvement.

If the types of school improvement initiative described above were able to select only those schools that are amenable to improvement, the mean gains would be many orders of magnitude higher, and would be achieved at a fraction of the cost. However, by far the most important policy question in the terrain of schooling revolves around finding effective ways of improving the performance of those schools that to date have not benefited from such programmes and that collectively cater for somewhere between 60 per cent and 80 per cent of South Africa's children.

FACTORS ASSOCIATED WITH IMPROVED LEARNING

The good news is that research is beginning to develop a more detailed understanding of educational practices in homes, schools and classrooms (Taylor, in press). Four factors feature most prominently in distinguishing schools that perform better than expected, given their disadvantaged socio-economic situation.

The home

Most prominent are language and home-related factors, which is not surprising in the light of the strong association between these variables and poverty in South Africa. African children, who not only constitute the overwhelming majority but also fall predominantly into the poorest sections of society, are schooled largely in English, which is a second or third language for almost all of them. Current government policy recommends mother-tongue instruction for at least the first three grades, but this may be overturned by the parent body of any school and there is evidence that this is done frequently (Taylor & Moyana 2005). As a result, many of the poorest children are schooled in an unfamiliar language, often from the first grade.

Learning is greatly enhanced when the language of the home and that of the school coincide in the early years.

The evidence from South Africa supports findings that have been well established elsewhere for some time – learning is greatly enhanced when the language of the home and that of the school coincide in the early years (Alidou et al. 2006). Furthermore, where there is a dissonance between the two, children do better at school the more their parents speak to them in the language of instruction (Simkins & Paterson 2003).

Other home-level practices that stand out strongly are reading and the performance of homework. In a study undertaken in the Western Cape (Van der Berg, Burger & Yu 2005), very clear evidence was provided to show that improved learning in literacy is strongly associated with reading at home, and the more often children read the greater their advantage. Similarly, regular homework adds a smaller but still significant advantage.

Time management

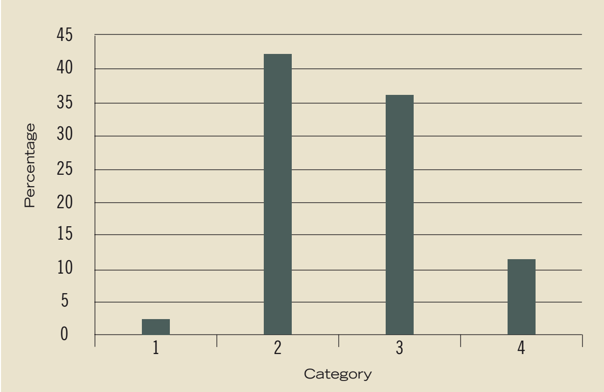
Time regulation is a major problem in 85 per cent of South African schools (Gustafsson 2005). Thus, a large number of teaching days throughout the year and of teaching hours during most weeks are lost through absenteeism or lack of punctuality by principals, teachers and pupils. It is very common for little or no teaching to happen after mid-morning on a Friday, the day before a public holiday or during the last week of term. During examinations in June and November, pupils frequently go home after writing for an hour or two, and in the following weeks teachers will do no teaching while they sit at school and mark scripts. Choir and sports competitions, and strategic planning or training for staff are other common pretexts for no teaching.

This factor has long been identified as a problem (Taylor & Vinjevold 1999), and the latest studies (Chisholm et al. 2005) indicate that it continues to exert a strong inhibiting influence on the time available for learning and, consequently, on the quality of schooling. Gustafsson (2005) estimates that if all schools were brought up to the level of the best schools in this regard, then overall scores on the SACMEQ tests (in the latest of which South Africa was placed ninth out of 14 countries in both literacy and mathematics) would improve by around 15 per cent across the system, and by around 20 per cent in the weakest schools. In the poorest performing schools, this factor is of such magnitude that it makes no sense to attempt to intervene in the curriculum domain before significant improvements in time management have been achieved.

Curriculum leadership

Curriculum leadership is a second school-level factor associated with better than expected learning (Van der Berg et al. 2005; Kanjee & Prinsloo 2005). This involves at least three distinct activities on the part of the principal and heads of department: ensuring that all topics specified in the curriculum are addressed by teachers; quality assuring and monitoring the assessment of pupil performance; and the management of books and stationery.

Figure 3.2.1: Curriculum coverage for mathematics, rural Grade 3 teachers



Source: Taylor & Moyana (2005)
Key: 4 = three-quarters or more of curriculum topics completed during year
3 = half or more (but less that three-quarters)
2 = a quarter or more (but less than half)
1 = less than a quarter

In many schools, teachers address no more than half of the curriculum topics during the course of any school year. The pattern of coverage shown in Figure 3.2.1, which reflects a random sample of 24 schools in two rural districts, is typical.

Even more disturbing is the common practice among South Africa's primary school teachers of not teaching reading. The extent of the problem is indicated in the issuing by the Department of Education in August 2006, through the national press, of an *Open letter to all primary school principals*, in which principals were exhorted to institute the teaching of reading in their schools. Incredible as it may seem, teachers and principals are so confused by the ideology of competence pedagogy surrounding outcomes-based education (or OBE, embodied in Curriculum 2005 and the current National Curriculum Statements), and by the poor quality of training in the new curriculum provided by provinces, that many are unaware, not only that reading is the most fundamental learning activity, but that they should be teaching it at all.

Co-ordinating the construction of teacher plans for curriculum coverage, and monitoring and supporting teachers in the implementation of their plans, is a crucial management-level function. Ensuring that class tests set

Incredible as it may seem, teachers and principals are so confused by the ideology of competence pedagogy surrounding outcomes-based education that many are unaware, not only that reading is the most fundamental learning activity, but that they should be teaching it at all.

by teachers are pitched at the right level, and using the results to track the progress of both teachers and pupils is a key tool in managing effective curriculum delivery.

A third important curriculum leadership issue concerns textbooks. One of the most damaging aspects of the OBE ideology in South Africa is the fallacy that, in contradistinction to practices around the world where textbooks essentially constitute the curriculum, teachers should not depend on textbooks but should create their own materials from a variety of sources. This is a problem even in the best schools, where photocopiers work overtime to duplicate dozens of worksheets with which children are bombarded. The problem with this practice is that, whereas a good textbook contains a systematic development of the entire curriculum, including worked examples and graded exercises, no set of worksheets can add up to anything more than a disparate collection of activities, which, no matter how carefully they are stored, inevitably become tatty and difficult to work with. In addition, each worksheet is a free-standing entity, and the activities it contains are generally rather superficial.

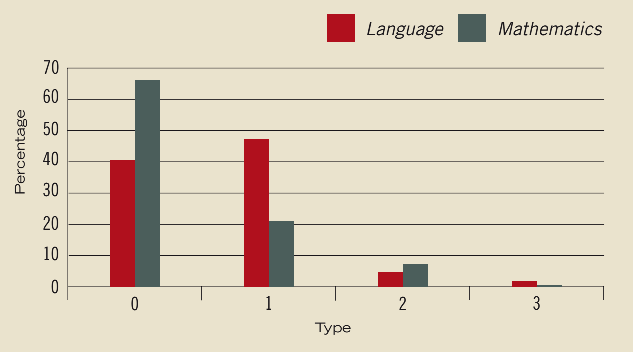
Furthermore, while all provincial Departments of Education spend millions of rands annually on textbooks, and while schools do receive a sporadic supply, often late in the school year, these are generally not managed to best effect and, in many schools, may be found abandoned in some forgotten corner or stacked in cupboards where they are hardly ever disturbed. Not surprisingly, the good management of books is a factor that correlates significantly with enhanced learning (Van der Berg et al. 2005).

Teacher knowledge

Because of their own poor education, the knowledge resources of most South African teachers are not strong. For example, the same sample of Grade 3 teachers whose curriculum practices are reflected in Figure 3.2.1 were asked how they would teach certain items taken from the mathematics and literacy tests administered to Grade 6 pupils. In discussing the items with the teachers, it was established that they struggled to provide the correct answers: the teachers' mean score was 55 per cent on the literacy items and 65 per cent on the mathematics items.

Bearing in mind that the exercise contained items from the tests for Grade 6 pupils, it is most sobering to note the very low English literacy skills of the language teachers – 12 of the 23 who took the test scored less than 50 per cent, with a lowest score of 21.7 per cent. Only one teacher scored higher than 75 per cent. Since knowing the content of one's subject-matter is a prerequisite for teaching it, it is evident that an urgent priority must be to improve the content knowledge of these teachers.

Figure 3.2.2: Teaching practices, rural Grade 3 teachers



Source: Taylor & Moyana (2005)
Key: 3 = learners read individually, teacher interacts
2 = learners read individually, little teacher guidance or assessment
1 = learners follow teacher, read in chorus, reading very restricted
0 = no reading

A second aspect of teacher knowledge concerns what has come to be called pedagogical content knowledge: this is the knowledge required to teach a subject, over and above knowing the subject's content. An investigation into the pedagogical practices of the teachers described in the previous paragraph illustrates the point. One of the aspects of classroom practice that was of interest during our observations of these teachers in action was how teachers promote reading, which we defined broadly to include any engagement by pupils with text in both language and mathematics classes. Figure 3.2.2 reflects the findings. In 40 per cent of language classes and 65 per cent of mathematics lessons, no reading of any kind was seen, even though textbooks were available in 80 per cent of the classes in sufficient quantities for each child to have access to a copy. In many cases, books were handed out but were left unopened on the children's desks throughout the lessons. Where 'reading' was observed, it generally took the form of the teacher reading a few sentences off the blackboard, with children following in chorus. Independent reading by children occurred in less than 5 per cent of sample classes.

Nearly 80 per cent of schools provide education of such poor quality that they constitute a very significant obstacle to social and economic development.

These teachers clearly do not have any knowledge of effective ways of teaching reading. The ineffective to non-existent teaching of reading in the majority of the country's schools must constitute the most urgent crisis in the sector, yet it is one of the most poorly researched areas.

CONCLUSION

Middle-class South African children, who steadily are becoming a less racially exclusive category, not only enjoy strong support for learning at home but also attend the best schools. Thus, schools assist in the reproduction of the middle classes, something that occurs in every country. At the same time, schools are particularly important for the poor, because they hold the only hope for these children of developing the skills and attitudes required to escape poverty. The bad news in South Africa is that nearly 80 per cent of schools provide education of such poor quality that they constitute a very significant obstacle to social and economic development, while denying the majority of poor children full citizenship.

The country's school system consists of three classes of institution, and research information about the characteristics of the respective sectors is guiding the formulation of a differentiated set of responses to the problem of school quality. A tiny band of schools situated in the poorest communities provide some of the highest quality education. They are performing heroic deeds under difficult conditions, and serve as role models for the rest of the system. They should be prioritised for investment: unlike the situation in poorly functional schools, where resources are not used anywhere near optimally, these school make the very best use of the limited resources at their disposal.

A second group of schools, also mainly situated in the townships and rural areas, is on the way to excellence. The government has targeted 400 of these schools under the Dinaledi project, and has requested private sector assistance in increasing their output of high-level skills. Like the handful of top performing schools situated in poor communities, these schools provide high returns on low levels of resources and would benefit greatly from additional investment in infrastructure, teaching resources and teachers.

However, the majority of the best schools are those that were reserved exclusively for white children prior to 1994, but which today hold the promise of providing excellent education to the poorest children. While the demographic profiles of most of this group are changing, it is a slow process in many schools. A priority for this group, therefore, is to provide incentives for them to enrol greater numbers of poor children.

Nevertheless, in the medium to long term, the highest priority must be to develop strategies for improving quality in the poorest performing schools. Nothing that has been tried to date, by the government or the non-government sector, has had any effect on most of these schools, despite decades of effort and billions of rands spent on improvement programmes.

We know what it is that better performing schools do that is lacking in dysfunctional institutions, despite operating under the same socio-economic conditions and resource constraints. First and foremost, they have good time management practices, in contrast to the situation in dysfunctional schools where many hours each week and many days over the year are wasted. Second, curriculum leadership is better developed in functional schools, with little or no planning and monitoring coverage of the curriculum, quality assurance of assessment practices, or management of textbooks and stationery, occurring in their poorly performing counterparts. At the classroom level, it is clear that the teaching of reading and writing in the majority of schools is rudimentary in the extreme, a situation exacerbated by the inadequate subject knowledge of teachers. This is a problem that will remain even if school management could be improved to the point where more time is available for teaching and where senior staff members monitor and support the work of teachers. The long-term solution is to improve the quality of pre-service teacher education, but in the meantime a national literacy strategy should be a matter of urgency.

What, then, can be done to improve the management of dysfunctional schools? Experience in other countries tells us that rewards and sanctions have no bite in these schools, as they are unable to help themselves: they require a high level of external intervention and support, and there should be a clear and concerted focus on a specific, limited number of factors (Hopkins, Harris & Jackson 1997). In many schools in this condition, the first thing to be done is to remove the principal, and strong mediation may be required to break situations of conflict between factions in the school. Only the government has the authority to intervene here; but provincial and district offices, by and large, are incapable of doing this, certainly on the kind of scale required to turn around the large numbers of failing schools in all provinces. The problem seems insurmountable, given the very weak state of large parts of all provincial Departments of Education. However, apart from incontrovertible moral and economic reasons, social pressures, in the form of rising levels of crime and the growing incidence of other forms of social unrest, make this the most urgent priority, not only for the education sector, but for the whole country.

research

PATTERNS OF EDUCATIONAL ATTAINMENT AND SOCIAL MOBILITY

Megan Louw, Servaas van der Berg and Derek Yu

The state's outlay on education in the last two decades has been impressive. However, while providing more schools and giving more children greater access to schooling has gone some way to improving educational levels, the quality of the education is still a problem in a society that requires a highly skilled workforce. There are many factors at play here. Clearly, South Africa's racially segregated past has left a legacy of income inequality that ranks among the highest in the world, representing a key policy challenge for the government. Underlying the disparity in income, however, is a deeper source of inequality: the role education plays in opening up income-earning opportunities in the labour market. Because of insufficient education, many remain excluded from formal-sector employment in an economy that is relatively skills-intensive. In contrast, individuals with high levels of education are able to find work more easily, to command higher wages, and also to improve their career opportunities.

Social mobility from generation to generation – as influenced by educational qualifications – indicates access to opportunity and how the current generation of African youth is overcoming or being hampered by its historical disadvantage. From a broader welfare perspective, social mobility represents one of the major forces that drive change in the distribution of income.

To a large degree, South Africa's notoriously high levels of income inequality have their roots in differential access to wage-earning opportunities in the labour market, which, in turn, are influenced by family background. This study analyses patterns of educational achievement in South Africa from 1970 to 2001, to assess whether increased educational attainment has also been reflected in social mobility from one generation to the next. At issue is the extent to which parents' schooling feeds through into their children's schooling, and how the decades of apartheid education have influenced the educational achievements of recent generations. As intergenerational social mobility is limited, the efficacy of educational policies aimed at improving schooling for most black pupils may be impaired because their parents were poorly educated. However, such students are precisely the ones policy should continue to target, particularly as educational intervention may be more effective than income redistribution in achieving equity in the long run.

SOCIAL MOBILITY

Social mobility between generations is determined by a range of factors, but most significantly by parents' education and household income. In South Africa, there is a strong relationship between an individual's education and his or her standard of living. Education brings with it better employment opportunities and improved income (Burns 2001), and those with tertiary qualifications have a substantial advantage (Keswell & Poswell 2002).

Finance is a major consideration in a child's education. Rich, well-educated parents will have more time to help their children complete homework, will ensure that their children are healthy, may influence the school to provide a higher-quality education, and may have a social network that will help their children obtain profitable employment. Factors such as these explain why educational achievements seldom change from generation to generation. Also, financially well-off parents would be able to borrow funding to invest in their children's schooling. Those with limited access to credit are often unable to make such investments, as is the case generally in the developing world.

The result is a self-perpetuating constraint, which is influenced strongly by the parents' level of education; for instance, in Latin America children who have better-educated working mothers reach higher education levels than other children (Hausman & Szekely 1999). South African children need to complete a considerable number of years of schooling to reap any rewards from their parents' investment. Returns are lowest for those who complete only five or six years of schooling, increasing thereafter (Hertz, in Burns 2001). Consequently, a large education budget may be necessary if schooling is evaluated as an investment in human capital, leading to the expectation that household incomes will matter in a very direct way when assessing educational outcomes.

The focus here is on the relationship between education and intergenerational social mobility. Hausman and Szekely (1999) found that parents' educational levels are more important than household income when evaluating a child's educational achievements. However, measuring the impact of parents' educational background on the schooling achievements of their offspring is not a simple exercise and only provides snapshots of the population at a given time.

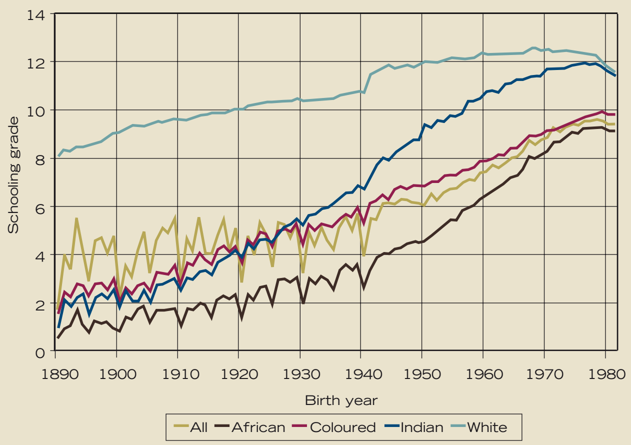
There are very few studies on intergenerational social mobility in South Africa. Case and Deaton (1999) estimated that the educational attainment of children living in households headed by an adult with complete secondary schooling exceeds that of children living in households where the head has completed only primary schooling by more than a quarter of a grade per year. Lam (1999) found that a child's schooling is determined by the parents' schooling, although to a lesser extent than in a similarly unequal society such as Brazil. Interestingly, as a category, children whose mothers have a university degree progress on average through 0.22 more school grades per year than children whose mothers have no schooling. This translates into an educational advantage of almost three years by the age of 18. In contrast, mothers who never completed primary school have only a small impact on their children's schooling. Finally, a study on KwaZulu-Natal data by Burns (2001) suggests that it is not necessary for both parents to be equally well educated for the child to reap the gains associated with high parents' education. A child who has a relatively weakly educated mother but a highly educated father seems to be at no significant disadvantage relative to a child with two highly educated parents.

CHANGES IN EDUCATIONAL PATTERNS

Since 1950, the educational levels of the population have been rising. Figure 3.3.1 illustrates mean educational achievement by birth cohort and race group. White individuals show the smallest increase, albeit starting from a much higher base of eight years of education in 1890. The educational levels of Indians born during the second half of the twentieth century reflect a very rapid rise, with those born just before 1980 attaining a schooling level similar to that of their white counterparts (just less than 12 years). Attainment by coloured and African students shows a more modest increase, to the level of Grade 10 for the most recent cohort.

Figures 3A.1 and 3A.2 (see appendix), which compare the attainments of the African population by location, reveal that people in the cities have higher educational levels than those in the rural areas. However, it may be the case that better-educated people are likely to migrate to urban areas if they believe that their job opportunities will be enhanced by doing so.

Figure 3.3.1: Mean educational attainment by birth cohort and race group



Source: Own calculations based on 1970 and 2001 census data

Figure 3A.3 shows that when the lowest schooling hurdle – the completion of primary education – is used, the racial gap narrows considerably. There is a difference of only 14 per cent separating the best performing group (white) and the poorest performing one (African). When matric and tertiary qualifications are considered, the picture looks rather different (see Figures 3A.4 and 3A.5.). Racial gaps remain large, although at matric-level substantial gains have been made by younger Indian cohorts. The proportion of Indians born in 1980 who have passed matric is about the same as the proportion of white matriculants born in that year. However, the wide gap between Indian and white cohorts at tertiary level suggests that access to tertiary institutions is more difficult than access to secondary schools. Finance may be a significant factor here, as university or college education is considerably more expensive than secondary schooling. The steep drops in the figures for the 1980 cohort are because individuals had not completed their education by 2001 (the most recent census from which data were extracted).

The following further trends are revealed by analysis of data from the 1970 and 2001 censuses. The educational progress of students aged 21–25 in 2001, considered by race group, shows that white and Indian students follow similar patterns, with modest dropout rates at higher secondary school grades. Coloured students perform better than African students at lower grades, although this information is skewed by the large numbers of Africans who never enrolled. By Grade 9, coloured students have lost their initial advantage, pointing to high dropout rates for this group between Grades 4 and 8. Factors that may be responsible for high dropout rates include illness, pregnancy and costs (Case & Deaton 1999).

There was an upward shift in educational levels among individuals aged 21–25 years over the census periods, although this has slowed in recent years. Whereas almost 30 per cent of individuals aged 21–25 in 1970 had never enrolled in school, by 1980 almost universal Grade 1 enrolment had been achieved.

The rise in the education levels attained by Africans has been dramatic. In the 1970 census, some 40 per cent of 21 to 25-year-old African individuals had never enrolled in school and fewer than 1 per cent had passed matric. By 2001, these figures had improved to 9 per cent and 36 per cent respectively for the same age group. While non-enrolment has not been as great a problem for the coloured population, it appears that many coloured students drop out of secondary school, generally around the age of 15. This phenomenon seems, at least in part, to be linked to earlier employment due to better job opportunities than are available to Africans, and to greater urbanisation among the coloured population, which improves their access to potential jobs. In 2001, the white and Indian 21 to 25-year-olds had a matric pass rate of approximately 80 per cent. This achievement was the result of a rapid catch-up at higher education levels by Indians and a more modest improvement by the white cohort, who by 1970 had achieved virtually universal education up to Grade 8.

When a child's achievements are evaluated on the basis of economic status, there is a strong link between schooling outcomes and family background, which is defined by income and parents' education. In order to focus on the child's economic position or the parents' education, it is necessary to consider younger children, who are still resident in their household of origin at the time of the census. Thus, the attention now shifts to children aged 16–20 rather than 21–25. Analysis of data for 1991 for 16 to 20-year-old children of different race groups showed that those in the upper income categories performed markedly better than those in the lower categories, although the difference between children from upper and lower income groups was smaller in the white group than in the others.

When the 16 to 20-year-old group of 2001 is compared with that of 1985, large differences by parents' educational levels are revealed. In 1985, only 12 per cent of children who had parents with no schooling managed to pass Grade 10, while 83 per cent of children whose parents had matriculated achieved that qualification. This situation had changed somewhat by 1991, when more children whose parents had less than complete primary education had passed Grade 10. Since then, there does not seem to have been any significant change in achievement patterns, suggesting that these remained static after the expansion of secondary schooling during the 1970s and 1980s. Similar patterns show up for African children, but with an even more dramatic increase in their educational levels between 1985 and 1991.

Table 3.3.1 reflects average educational levels for all children aged 16–20 in the period 1985–2001, on the basis of their parents' educational achievements.

Clearly, there is lower schooling inequality within the younger cohorts, as most of the recent improvements in schooling have disproportionately benefited pupils in the lower grades. The remaining intra-racial inequality is driven largely by socio-economic status, with family background playing a fundamental role in educational achievement, although this is less obvious among the white group. Most of the interracial inequality in schooling is to be found in secondary schooling attainment; the vast majority of white students complete secondary schooling, while fewer than 40 per cent of African students matriculate.

Despite these notable improvements, Lam (1999) observes that South Africa has performed relatively poorly in expanding schooling, given the country's level of per capita income. The increase in quantity of education has also not been accompanied by an equivalent improvement in the quality of the schooling system. That so few African and coloured students pass matric suggests that schooling expansion has not necessarily benefited individuals in a way that will serve them well in a skills-hungry labour market.

RISING MOBILITY

Intergenerational social mobility is determined by all of the factors that comprise a child's family background, including parents' education, socio-economic status and other factors. Transmission of parents' educational status is the focus here, given the strong link between an individual's education and income in South Africa.

The relationship between parents' education and a child's rate of progression through school provides some

Table 3.3.1: Mean educational attainment by race group and parent education category

		Average parent education category					
Data set	**Race group**	**No schooling**	**1–6 years Incomplete primary**	**7–11 years Incomplete secondary**	**12 years Complete secondary**	**>= 13 years Tertiary qualifications**	**Total**
Census 1985	African	4.94	6.86	8.36	7.84	7.19	6.65
	Coloured	5.49	7.10	8.93	9.09	8.50	7.72
	Indian	9.61	10.07	10.74	11.40	11.57	10.44
	White	9.75	10.16	10.81	11.26	11.43	11.00
	All	5.20	7.16	9.28	10.45	10.55	7.79
Census 1991	African	6.80	8.04	9.33	10.04	10.64	8.06
	Coloured	6.55	7.94	9.62	10.88	11.34	8.81
	Indian	10.15	10.59	11.06	11.40	11.63	10.93
	White	10.56	10.74	10.94	11.39	11.59	11.20
	All	6.85	8.12	9.76	10.98	11.32	8.64
Census 1996	African	7.55	8.41	9.48	10.17	10.64	8.54
	Coloured	7.46	8.44	9.93	10.94	11.31	9.35
	Indian	10.46	10.81	11.13	11.41	11.72	11.12
	White	10.40	10.60	10.86	11.27	11.51	11.16
	All	7.58	8.46	9.77	10.80	11.18	8.92
Census 2001	African	7.56	8.86	9.83	10.40	10.81	8.87
	Coloured	7.23	8.74	10.17	10.93	11.43	9.73
	Indian	9.54	10.71	11.32	11.49	11.86	11.30
	White	8.39	10.24	10.72	11.21	11.49	11.13
	All	7.56	8.87	10.04	10.82	11.23	9.23

Table 3.3.2: Performance of 14 to 18-year-olds by parent education level, 1985–2001

Year	**Performance**	**Parent education level**			
		Primary	**Secondary**	**Tertiary**	**Total**
1985	Lagging well behind	88% (*46%*)	12% (*11%*)	1% (*5%*)	100% (*33%*)
	Lagging slightly behind	72% (*29%*)	27% (*20%*)	1% (*5%*)	100% (*25%*)
	On target	36% (*25%*)	56% (*69%*)	8% (*90%*)	100% (*42%*)
	Total	(*100%*)	(*100%*)	(*100%*)	(*100%*)
1991	Lagging well behind	86% (*36%*)	14% (*9%*)	0% (*3%*)	100% (*25%*)
	Lagging slightly behind	70% (*31%*)	29% (*21%*)	1% (*8%*)	100% (*27%*)
	On target	40% (*33%*)	52% (*70%*)	7% (*89%*)	100% (*49%*)
	Total	(*100%*)	(*100%*)	(*100%*)	(*100%*)
2001	Lagging well behind	80% (*30%*)	18% (*10%*)	1% (*4%*)	100% (*21%*)
	Lagging slightly behind	64% (*36%*)	32% (*27%*)	3% (*15%*)	100% (*31%*)
	On target	40% (*35%*)	49% (*63%*)	11% (*81%*)	100% (*49%*)
	Total	(*100%*)	(*100%*)	(*100%*)	(*100%*)

Source: Own calculations based on SA census data
Note: The 1985 census has no information linking child to parent, so it was assumed that the head of the household and his or her partner were the parents of the children in the household

descriptive evidence of intergenerational social mobility. Table 3.3.2 divides South African children aged 14–18 in 1985, 1991 and 2001 into three groups: those in the correct grade for their age (on target), those who have fallen one or two years behind (lagging slightly behind) and those who have fallen more than two years behind (lagging well behind). If one takes the view that falling behind at school reduces the chance of enjoying economic success later in life, then children in the last category are least likely to enjoy favourable positions in the labour market. Children in the three categories are then grouped by the maximum education level attained by either of their parents.

Expected educational attainment is calculated as a child's age in years less the sum of six pre-school years and one additional year (reflecting the child's highest grade completed). Bear in mind that there was a shift in school policy towards discouraging children younger than six years of age from entering Grade 1 during the late 1980s. As a result, many children entered school up to a year later than they would have previously. However, the same rule regarding expected educational attainment is maintained across all years for the sake of consistency. This implies that the rate of progress through school is overstated for children contained in the two earlier census datasets (1985 and 1991) relative to those in the 2001 dataset, and that accordingly the rise in schooling mobility between 1991 and 2001 is understated.

Encouragingly, the proportion of children lagging well behind seems to be declining. Likewise, and most importantly for upward social mobility, the situation is improving for the category of children whose parents have only primary education. This suggests rising social mobility, and that those reaping the benefits are the most disadvantaged children.

More formally, two types of intergenerational social mobility can be distinguished: absolute and relative social mobility. Absolute social mobility is linked to the level of economic development, since an increase in it may reflect generally rising education levels resulting from a policy-driven expansion of schooling. Relative social mobility highlights differentials in access to opportunity among individuals and, therefore, is not influenced by the level of socio-economic development in a country. South African trends in both types of mobility were estimated using indices constructed by Behrman, Gaviria and Szekely (2001) and Dahan and Gaviria (2001). For further details, interested readers are referred to Louw, Van der Berg and Yu (2006). In aggregate, South African children became more socially mobile in both senses during the 1990s. However, at a racially disaggregated level, trends diverged. Social mobility rose for African and coloured children – groups that have the lowest social mobility and least historical advantage. In contrast, it declined slightly for Indian and white children, groups exhibiting the highest social mobility and being more advantaged historically. A decrease in social mobility implies that the educational attainment of these children is increasingly determined by parents' education, promoting the perpetuation of Indian and white affluence across generations.

CONCLUSION

While South African education rates have been rising over a long period, they are still highly skewed by race. Given that race gaps have been large historically, immobility among those with the least education – the African and coloured groups – is going to reduce the educational achievements of future generations.

Educational levels among Indians have increased very rapidly, although the gains at secondary school level have not been repeated at the tertiary level. Unexpectedly, there has been little improvement since the mid-1980s in the progress of children with parents holding a given level of education. This implies that some of the progress in the African population may be the result of earlier advances: higher parent education is driving higher child education, although this trend seems to have slowed. A core problem appears to be in the upper grades at high school, with matric remaining a difficult hurdle for many. This is symptomatic of a major educational problem, which this article does not deal with, namely the quality of the education being provided.

Chapter 4

POVERTY, CONFLICT AND GOVERNANCE

CHAPTER OVERVIEW

It seems likely that poverty has declined significantly since the turn of the century. However, South Africa's persistently high level of inequality may have gained momentum as a source of social discontent, with labour and other urban unrest featuring prominently in the news during the first half of 2006. Is such dissatisfaction symptomatic of rising expectations, or does it indicate that the situation on the ground has not improved to the extent that the data suggest? Megan Louw poses these questions, examining both data and generators of discontent.

Martin Nicol, Zandile Gubeni and Leo Makgamathe look at the dynamics of mismanagement behind two cases: the growing sanitation crisis in Cape Town and power failures in Johannesburg. The case studies deal with the collapse of core services of local government in South Africa's two wealthiest and best-resourced cities. The complex institutional environment needs to be recognised in both cases, as does the political environment, in which essential infrastructure protection for a city can be traded off against the pressure to reduce inequalities between neighbourhoods. Corruption is certainly a feature of the problem in many well-publicised cases, but the central issue is maladministration.

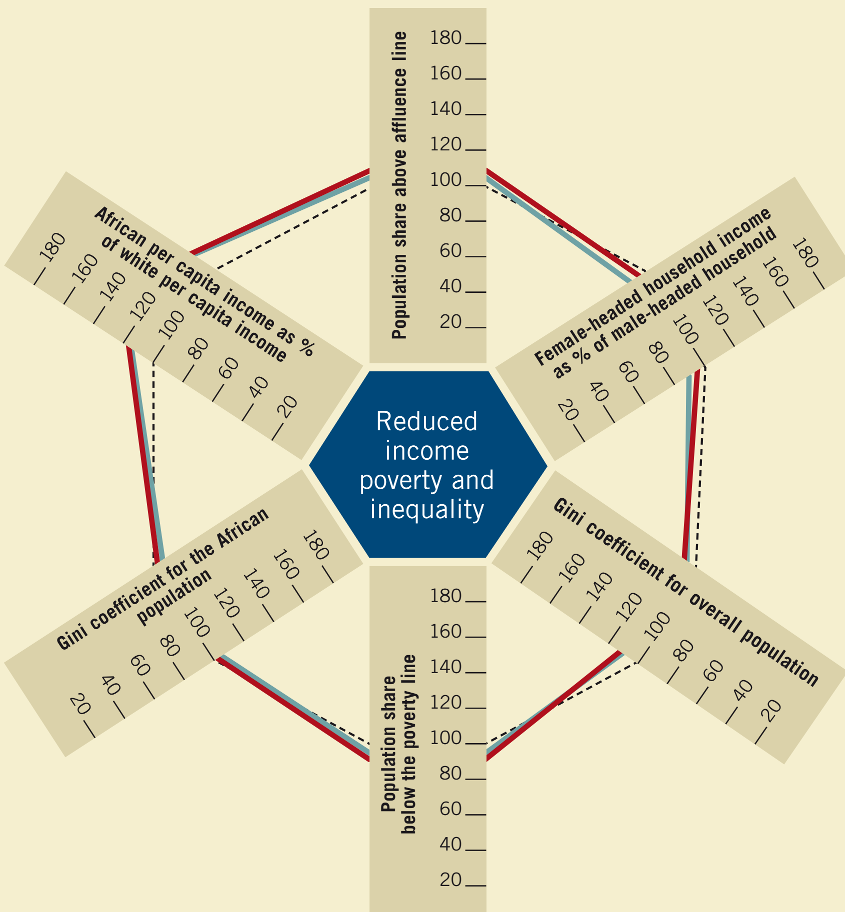
Income poverty and inequality scorecard

Transformation goal	Reduced income poverty and inequality				
Desired outcome	**Indicator**	**Status 1990–1994**	**Status 2005**	**Status 2006**	**Direction of change**
Reducing income poverty	Percentage of the population below the poverty line [1]	50.3% (Ave. 1992 and 1993)	47.6% (2003)	46.9% (2004)	↑
Creating wealth	Percentage of the population above an 'affluence' line [2]	9.2% (Ave. 1992 and 1993)	9.7% (2003)	9.8% (2004)	↑
Reducing inequality	African per capita income as a percentage of white per capita income	10.2% (Ave. 1992 and 1993)	11.8% (2003)	11.9% (2004)	↑
	Income of female-headed households as a percentage of male-headed households	49.3% (1998)	43.9% (2003)	47.9% (2004)	↑
	Gini coefficient for overall SA population	0.55 (Ave. 1992 and 1993)	0.61 (2003)	0.60 (2004)	↑
	Gini coefficient for African population	0.67 (Ave. 1992 and 1993)	0.69 (2003)	0.68 (2004)	↑

Source: Calculations by S van der Berg and M Louw using All Media Products Survey (AMPS) data

1. R3 000 per person per year in 2000 rands
2. R30 000 per person per year in 2000 rands

The Income Poverty and Inequality Scorecard and Star provide a snapshot impression of changes in key indicators of poverty and inequality. This is the first year since 2004 that this scorecard has been updated, using non-Census data. There are two annual sources of information on income poverty: the October Household Survey (OHS) and the All Media Products Survey (AMPS), with the latter providing more disaggregated data for higher income groups. While these more frequent surveys are less reliable than Census data in providing an accurate picture of levels of income poverty, they still provide useful information about the direction and rate of change in levels of poverty. While the OHS indicators show higher levels of poverty and different Gini coefficients, it is important to note that the trend apparent in the scorecard's AMPS indicators are consistent with the OHS trends, namely a slow reduction in poverty and inequality across the board – except for the differential between male- and female-headed households, where the OHS shows a reversal in 2004 over 2003.



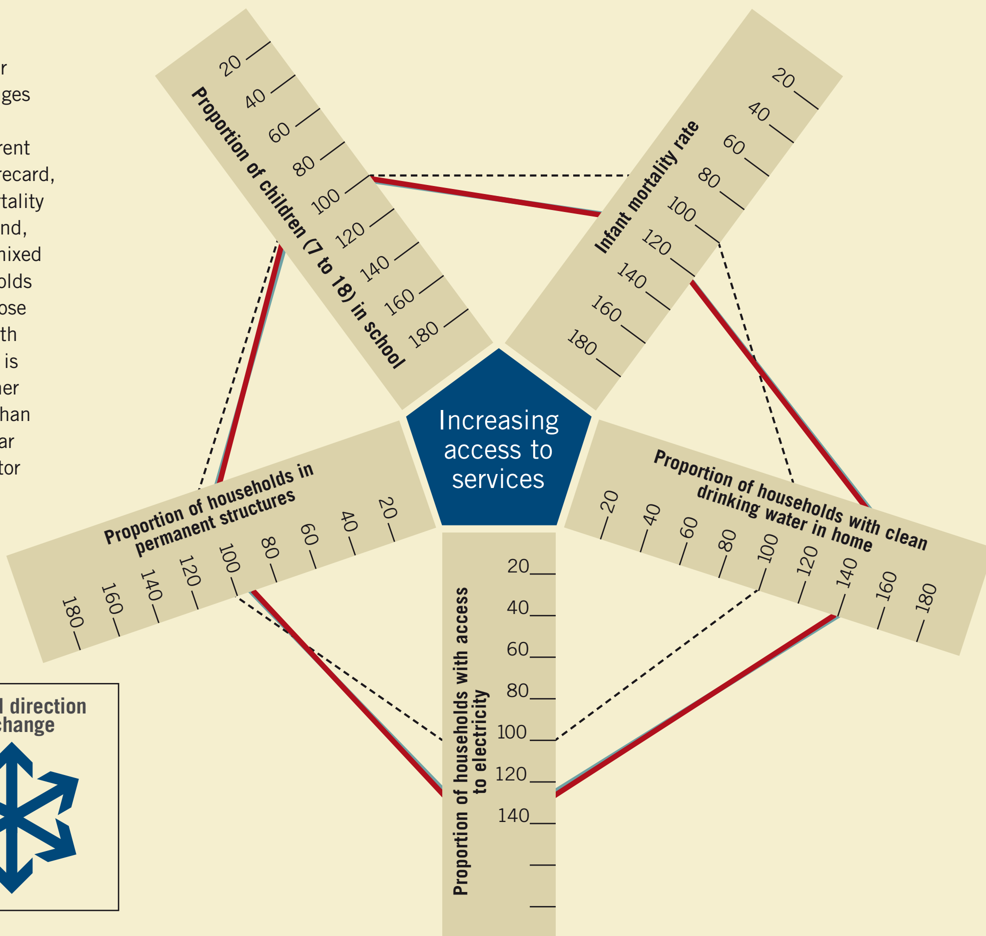
INTERPRETATION GUIDE	Desired direction of change
Score early 1990s (=100)	
Status 2005	
Status 2006	

Access poverty scorecard

Transformation goal	Reduced poverty through better access to services				
Desired outcome	**Indicator**	**Status 1995**	**Status 2005**	**Status 2006**	**Direction of change**
Reduced access poverty	Percentage of households living in a permanent structure [1]	77.6%	74.0% (2003)	73.6% (2004)	↓
	Percentage of households with access to electricity [1]	62.9%	78.5% (2003)	80.5% (2004)	↑
	Percentage of households with access to clean drinking water in the home [1]	48.9%	68.3% (2003)	67.8% (2004)	↓
Reduced education poverty	Percentage of children 7 to 18 in school [1]	95.3%	93.5% (2003)	94.3% (2004)	↑
Reduced health poverty	Infant mortality rate [2]	45 (1990)	53.6 (2005)	53.6 (2005)	←→
	Estimated HIV prevalence rate for population [3]		10.4% (2005)	10.9% (2006)	↓

1. *Sources*: Stats SA, *October Household Survey* 1995; *General Household Survey* 2003, 2004
2. *Sources*: 1990 from *UNDP Human Development Index* (1990); 2005 from Stats SA, *Statistical Release P0302 Mid-year Estimates* <www.statssa.gov.za>
   (An updated figure for the Infant Mortality Rate had not been published at the time of the 2006 Audit going to press)
3. *Sources*: Stats SA, *Statistical Release P0302 Mid-year Estimates* <www.statssa.gov.za>

The Access Poverty Scorecard and Star provide a snapshot impression of changes in popular access to services that are important for human well-being. Different to the Transformation Audit 2005 scorecard, where all indicators bar the infant mortality rate showed a positive year-on-year trend, the 2006 scorecard presents a more mixed picture, with the proportion of households living in a permanent structure and those with access to clean drinking water both having declined. However, the decline is very small and is attributable to a higher overall number of households, rather than fewer households with access. This year the scorecard introduces a new indicator of health poverty, the estimated HIV prevalence rate for the population as a whole, measured at 10.4 persons out of every 100 in 2005 compared to 10.9 persons in 2006.



INTERPRETATION GUIDE

Score early 1990s (=100)
Status 2005
Status 2006

Desired direction of change

Year review by Megan Louw

Overflows and outages: Mismanagement of utilities in two cities
by Martin Nicol, Zandile Gubeni and Leo Makgamathe

review

POVERTY DECLINES, RESENTMENT RISES

Megan Louw

The course of 2005/06 has seen important developments surrounding the evolution and understanding of income distribution in South Africa. First of all, the debate about the nature and trends of poverty after 1994 has been fed with the release of a number of empirical studies holding very different viewpoints. While the trend during the second half of the 1990s is less certain, on balance it seems likely that poverty has declined significantly since the turn of the century. However, the country's persistently high level of inequality may have gained momentum as a source of social discontent, with labour and other urban unrest featuring prominently in news headlines during the first half of 2006. Is such dissatisfaction symptomatic of rising expectations, or does it indicate that the situation on the ground has not improved to the extent that the data suggest it has?

RECENT RESEARCH

Recently conducted poverty trend research falls into two main types: those based on the Income and Expenditure Surveys (IESs) of 1995 and 2000, and those based on other data sources. The first set yields the most dramatic negative conclusions regarding the path of poverty during the second half of the 1990s. Leibbrandt, Levinsohn and McCrary (2005a) found that individual real incomes fell by 40 per cent between 1995 and 2000, implying a massive increase in poverty over this period. However, it seems highly implausible that this steep decline in income truly occurred: if it had, the South African economy would have collapsed to a degree implying a larger drop in per capita incomes than during the Great Depression. Hoogeveen and Özler (2004) also analysed the IESs but focused on per capita household incomes (total pooled household income divided by the number of members in the household) instead, and applied three poverty lines: US$1 a day (R87 per month in 2000 prices), US$2 a day (R174 per month in 2000 prices), and the cost of satisfying basic human needs (R322 per month in 2000 prices). Applying the lowest poverty line, they deduced that the number of people living in extreme poverty increased by 1.8 million over the period 1995–2000. They also observed a growth in moderate poverty, although the increase was less marked. However, there is reason to be highly sceptical of IES-based comparisons of the income distribution, because of apparent differences in the sampling frames and reliability of the two datasets. In fact, Statistics South Africa recently admitted that the two IESs are not directly comparable.

Analysis based on the population censuses of 1996 and 2001 yields less extreme conclusions regarding the path of poverty. A group of researchers at the University of Cape Town led by Murray Leibbrandt found that poverty increased modestly over the period 1996–2001, with a larger rise in moderate than in severe poverty (Leibbrandt, Poswell, Naidoo, Welch & Woolard 2005b). Moderate poverty refers here to income of less than R250 per month in 1996 prices, while severe poverty indicates income of less than US$2 a day. This is roughly in line with the findings of Simkins' (2004) work, which is based on both the post-transition IESs and censuses. While drawing no hard conclusions, Simkins argues that poverty might have worsened to some extent during the second half of the 1990s. By contrast, the UNDP (2003) found evidence of a small decline in moderate poverty rates over 1995–2002 (moderate poverty referring here to income falling below the cost of satisfying minimum dietary requirements, R354 per month in 1995 prices); this finding was reversed at lower poverty lines, however. Van der Berg and Louw (2004) suggest that poverty rates stabilised or even declined slightly over 1995–2000. Rather than working with the raw data, these authors adjusted the IESs to be consistent with the national accounts, given a large visible discrepancy between income measures taken from the two.

While there is some uncertainty about the path of poverty between 1994 and 2000, post-2000 trends are less ambiguous. A Stellenbosch University team extended the work done by Van der Berg and Louw (2004), using the same methodology on an alternative data source, the All Media Products Survey. Defining poverty as income of less than R250 per month in 2000 prices, they found evidence of a substantial decline in poverty after 2000, identifying the major contributors towards this as gradually improving labour market prospects and a real increase of R22 billion (in 2000 prices) in social grant expenditure between 2000 and 2005, due *inter alia* to the expansion of the Child Support Grant to children up to the age of 14 years (Van der Berg, Burger, Burger, Louw & Yu 2005a).

Given that the collective income of the poor amounted to R27 billion in 2000, the recent expansion in social assistance effectively doubled available resources, and must have had a significant impact on material welfare at the lower end of the income distribution. Furthermore, the good news does not stop at recent trends in money-metric poverty. Research shows that access by the poor to basic services is improving (Leibbrandt et al. 2005b) and that asset poverty is declining (Bhorat, Van der Westhuizen & Naidoo 2006). In summary, it seems that a decade of democracy has raised the living standards of the poor, in large part as a result of anti-poverty policy.

These post-transition economic developments have occurred in parallel with an important social development – a rapid increase in the number of households. By 2005, the number of households had risen to almost 13 million, representing an increase of approximately 4 million (or 45 per cent) on the number of households in 1995 (Stats SA, Census 1996, *General Household Survey* 2005). To place these figures in context, the current household formation rate is roughly double the population growth rate (National Treasury 2004: 127). Economic factors that are driving household restructuring probably include the government's post-1994 poverty relief programmes (including the increase in social grant payments and the housing programme) and rising urbanisation rates, which one would expect to be indicative of expanding job opportunities (or at least improved access to labour markets). Other factors, such as the impact of the HIV/AIDS pandemic on demography and household structures, are also likely to be contributing to changing household formation patterns.

The impact of social grants on household formation is ambiguous. As a survival strategy, unemployed adults often attach themselves to households that contain grant recipients, thus tending to decrease the total number of households. However, research shows that social grants may be promoting female migration, in particular, thus tending to increase the number of households (Posel, Fairburn & Lund 2004). Pension income received by an elderly female household member appears to enable younger women of working age in the same household to migrate in search of work – women in households with a female pensioner are able to transfer care of their children to the pension recipient. Alternatively, a social grant may ease income-related constraints on migration in impoverished households; in other words, such households may gain enough economic security from social grants to relieve potential job seekers of household duties and to provide support for their urban job-searches (Posel et al. 2004: 14–15). That job-search involves costs can be understood by considering conditions in the South African labour market. Approximately three million jobs were created over the period 1995–2005, although the unemployment rate increased and remained very high due to a dramatic rise in labour force participation during the late 1990s. The combination of relatively high wages in the formal sector (compared to those in the informal sector) and the small likelihood of obtaining formal sector employment imply that job-search is a high-risk, high-reward activity. As with social grants, the post-1994 construction of more than 1.8 million houses has enabled households to restructure and reduce vulnerability through diversifying their income sources, for example through renting property out.

While it may take some time before the impact of HIV/AIDS on household structures is fully understood, the pandemic is undoubtedly leaving its mark on patterns of household formation. Currently, more than five million South Africans (most of working age) are infected with HIV, and infection rates are rising (from 10.4 per cent in 2003 to 10.9 per cent in 2004). The ensuing loss of breadwinners and caregivers will leave affected household members, particularly AIDS orphans, reliant on extended families and other social support structures, causing households to restructure in accordance with the coping mechanisms adopted.

The importance of changes in household formation becomes clear when one looks at data about access to basic services. While the proportion of the *population* with access to such services has increased steadily (and in some cases substantially) over the past decade, the trend in the proportion of *households* with access has not necessarily mirrored this increase. For example, a reduction over 2003/04 in the number of households living in permanent structures (from 74 to 73.6 per cent) is highlighted in the access poverty scorecard above. Despite the delivery of many new publicly funded houses during the past decade, the housing backlog continues to grow because of the rapid formation of new households. In 1994, the backlog was estimated at 1.5 million units; by 2001, it stood at 2.4 million (National Treasury 2004: 127). Similarly, the proportion of households with access to clean drinking water at home declined over 2003/04 (from 68.3 to 67.8 per cent).

EXPLAINING GRIEVANCE

These developments help in understanding why the improvement in living conditions observed at the individual level (in poverty analysis) has not translated into greater political and social stability. Efforts to fight poverty continue amidst outbreaks of social discontent. Over the past year, South Africa has witnessed numerous, sometimes lengthy, labour strikes by miners, municipal and Transnet workers, and security guards, amongst others. While workers demonstrated their dissatisfaction with the performance of the labour market, there were angry protests by the inhabitants of poor communities (notably Khutsong) against the perceived inadequate progress made by local government in improving basic service delivery. Further, economic tensions on the ground have translated into political tensions at the highest level, with fears over the future of the tripartite alliance. Has the heady democratic dream of 1994 failed to materialise? Or is the reduction in poverty insufficient to satisfy a society with growing economic expectations in a boom era?

From an economist's perspective, there are at least three ways of thinking about this issue. The first has its source in the theory of income distribution analysis. Conceptually distinct from inequality, polarisation describes the degree of social integration within a group and reflects the 'sharpening of the divide' between social classes (Seshanna & Decornez 2003). The Duclos, Esteban and Ray (2004) polarisation measure was constructed to reflect the sum of all 'effective antagonism' within a society, taking into account both the alienation of groups of individuals located at different points in the income distribution, and the extent of identification, defined as the 'tightness' of clustering of groups. The authors hypothesise that identification indicates the likelihood of social mobilisation and collective action. Applying the Duclos et al. polarisation measure to wage data, it is shown that polarisation has increased since 2000 for the total workforce, within the African workforce and for workers in urban areas (Van der Berg, Burger & Louw 2005b). This is consistent with a picture of steadily widening income inequality within the African population, since this group is at the same time over-represented amongst the poor and the major beneficiary of affirmative action and black economic empowerment policy. It also fits in with what we know about urbanisation in South Africa – namely, that it has increased since the political transition, in spite of rising unemployment (until 2002/03) and increasing skills intensity in production methods.

The second possible approach is slightly more esoteric. If the major contributor to poverty reduction over the past six years has been the expansion of the social grant system rather than an improvement in labour market conditions, then dissatisfaction may be attributed to a generally held view that social grant income is an imperfect substitute for wage income. In other words, a rand of grant income is perceived to be worth less than a rand of wage income. While this explanation may sound far-fetched at first, examine it a little more closely. Consider that the present government was elected on the back of promises of job creation and more equal wealth sharing, in a highly segmented and unequal society. Since 1994, unemployment rates have risen rather than fallen, and redistribution has occurred largely through the expansion of social grants. Consequently, grant recipients may feel that despite now being able to put food on the table, they are no better equipped to earn a livelihood – through waged employment, self-employment or ownership of productive resources – than they were before. Sen (1999: 94–96) describes the potential negative consequences of unemployment as including loss of worker skills and self-confidence, disruption of social structures and integration, and reinforcement of social exclusion. He refers to these collectively as a form of capability deprivation, arguing that poverty cannot be measured in terms of income alone.

The third possibility is the simplest one. It revolves around a perspective that poverty is a relative state rather than an absolute one. While the average incomes of a society increase during the process of economic development, the extent of relative poverty remains constant (assuming that the shape of the income distribution remains unchanged) as people near the lower end of the income distribution adjust their lifestyle expectations upwards. South Africa is currently experiencing its longest economic upswing since World War II (Du Plessis & Smit 2006: 7), with analysts observing the emergence of a rapidly growing African middle class that has been reaping some of the associated material benefits (Van der Berg et al. 2005a). In the light of these realities, it may be that poor South Africans actually now feel worse off in relation to individuals at the middle and upper end of the income distribution, as they observe rising material prosperity but remain unable to access many economic opportunities.

So we see that poverty has declined since the turn of the century, principally due to the recent expansion of the social grant system. Still, South Africans demand more. This may be the result of increasing polarisation (by one measure), the imperfect substitutability of grant income for wage income, or a generally held view that poverty is a relative state. Whatever its cause, however, popular discontent remains a significant concern.

research

OVERFLOWS AND OUTAGES: MISMANAGEMENT OF UTILITIES IN TWO CITIES

Martin Nicol, Zandile Gubeni and Leo Makgamathe

First the good news: more people in South Africa have access to electricity, clean water and safe sanitation than at any time in our history. The extension of service delivery, particularly in the urban areas, has been remarkable. Three and a half million homes have been connected to the electricity grid since 1994, water supply infrastructure now reaches some 90 per cent of the population and the sanitation backlog is steadily declining (Manuel 2006). While economic growth has been disappointing, there has been significant redistribution in favour of the poor when it comes to basic services.

Free allocations of water and electricity are made by many municipalities. Water service authorities currently provide 3.9 million poor households with free basic water, and free basic electricity reaches 2.9 million households (Manuel 2006). The government's Programme of Action has set specific water, sanitation and electrification targets for the period up to 2012. Progress has to be reported upon quarterly by relevant departments.

However, we have seen significant problems develop within the delivery system, undermining the quality and reliability of supply and threatening affordability. In many parts of the country, there have been severe problems with the reliability of electrical power. Farmers cannot operate pumps, factories send workers home, and shops consider buying their own back-up generators. This has a direct impact on profitability and, ultimately, threatens employment and influences where businesses decide to be located. The problems with water are even more widespread, especially with the processing of waste water and the pollution of rivers. The consequent diseases impact heavily on the poor, particularly in dense settlements.

Local government has proved to be a most unreliable custodian of existing infrastructure. Maintenance is neglected and planned capital spending is delayed to such an extent that expensive replacement of infrastructure becomes necessary. In areas with rapid growth in demand, key facilities are constantly close to failure.

Many politicians in local government do not understand the implications of reallocating maintenance budgets for other uses during the year or of failing to appoint the staff required. In 2004, a survey conducted by the Council for Scientific and Industrial Research found that 'the loss of key technical staff and their non-replacement, or replacement by others less qualified, is inhibiting infrastructure management and in many cases can be identified as the main reason for the breakdown of an element of a service' (CSIR 2005).

Local government has proved to be a most unreliable custodian of existing infrastructure. Maintenance is neglected and planned capital spending is delayed to such an extent that expensive replacement of infrastructure becomes necessary.

In some cases, municipalities (using provincial grant funding) have provided services and infrastructure at levels that poor households cannot afford. This necessitates cross-subsidisation by other ratepayers, or it leads to a breakdown in infrastructure management if other funds cannot be found. The Water Research Commission notes:

> *A financial modelling exercise undertaken during 2005 on behalf of the Department of Provincial and Local Government and Development Bank of Southern Africa showed that new infrastructure rollout targets of the majority of municipalities will lead to these municipalities acquiring new infrastructure at such a pace in the next few years that they will be increasingly unable to afford the costs associated with the operations and maintenance of that infrastructure.* (WRC 2006)

Local politicians, under constant pressure to deliver visible improvements in the lives of people, have difficult choices to make. Cutting the ribbon to open a new multi-purpose government service centre in a deprived neighbourhood has far greater appeal than approving the replacement of hidden pumps to ensure that the municipal sewerage system does not fail – until the system does fail (by which time the costs of replacing infrastructure are so high that the care and operation of the new assets is unaffordable).

Frequently, corruption or allegations of corruption are associated with infrastructure investment, maintenance and replacement. A tender is awarded to a company that does not perform but, nevertheless, is paid. An adjudication process is rigged so that a company favoured by a senior official is awarded a contract over more capable bidders. A person without appropriate qualifications is appointed to a position that requires technical expertise. A few of these cases are unearthed by our active media or find their way to the courts and are accorded great publicity. The issues are always politicised. Corruption is inferred again when municipal executives are paid large salaries and continue to receive generous 'performance bonuses' in the face of infrastructural failures.

The mismanagement of South Africa's infrastructural assets is widely recognised. This does not apply only to local government; it includes the provincial and national spheres, and the state-owned enterprises. However, it is not useful (or indeed possible) to ascribe the problem simply to corruption. Corruption is certainly a feature of the problem in many well-publicised cases, but the central issue is maladministration.

When the lights go out, when sewage floods the streets, when the roads crumble, when government houses leak, when the wheels come off the juggernaut of delivery, everyone wants to find out who is to blame. Maladministration need not manifest itself in the act or omission of an individual, it can be the result of issues related to the social, political and institutional environment. In *Little Dorrit*, Charles Dickens imagined that public administration in England in the 1850s was dominated by the 'Circumlocution Office', 'the most important Department under Government', which would ensure that whatever was required to be done, nothing would be done at all. Maladministration might be the way a system 'works'. Until its causes are understood, and its impact is appreciated, much effort will be wasted in pillorying individuals. A broader appreciation of maladministration also allows us to question the way that President Mbeki blames local government for all the failures of delivery.

This article invites the reader to consider maladministration in the context of two examples: the growing sanitation crisis in Cape Town and power failures in Johannesburg.

WHAT IS MALADMINISTRATION?

In the absence of a statutory definition, maladministration is much harder to pin down than is corruption, which is legislatively defined and can be prosecuted in South Africa under the Prevention and Combating of Corrupt Activities Act of 2004.

Richard Crossman, a British MP, has associated maladministration with the words 'bias, neglect, inattention, delay, incompetence, ineptitude, perversity, turpitude, arbitrariness and so on'. In the United Kingdom, public sector ombudsmen are empowered by law to investigate 'maladministration causing injustice' in response to complaints about the way a decision has been made by a council or government department. In this context, the main determinant of maladministration is whether an authority has acted reasonably in accordance with the law, its own policies and generally accepted standards of local administration.

The top ten causes of maladministration in the UK in 2000/01 were:

- delay in taking action;
- taking incorrect action;
- failure to provide information;
- failure to compile and maintain adequate records;
- failure to take action;
- failure to take relevant considerations into account in making a decision;
- failure to investigate;
- failure to deal with letters or other enquiries;
- failure to follow procedures or the law; and
- making misleading or inaccurate statements.

Source: www.lgo.org.uk/origins.htm

The case studies deal with the collapse of core services of local government in South Africa's two wealthiest and best-resourced cities. The complex institutional environment needs to be recognised in both cases, as does the political environment, in which essential infrastructure protection for a city can be traded off against the pressure to reduce inequalities between neighbourhoods.

There are still enormous backlogs because progress has been retarded by political uncertainties, by funding limitations and by the capacity of local government to manage the complex investment programmes that are being rolled out.

CAPE TOWN SANITATION

In mid-July 2001, untreated sewage, apparently pumped through an outlet pipe from the Athlone sewage treatment works, seriously polluted the Black River. Dr Ivan Toms, the medical officer of health for Cape Town, said that officers were sent to homes near the Black River shortly after the spill to warn residents about the dangers involved in coming into contact with the river's water. Toms said that such problems were a result of Cape Town's population growing much faster than its infrastructure (*Cape Argus* 25.07.01).

A decade earlier, a civic task team reviewing the state of services to be taken over by a post-apartheid city administration had found 'a sound overall infrastructure' in place, while noting that the Cape Metropolitan Area had 'large disparities in levels of service provision'. The least privileged 3.4 per cent of the population, then numbering some 86 000 people, had no sewage facilities at all (CMA 1993).

By 1999, the situation had changed radically. An internal strategic review stated that 'the infrastructure of the wastewater system in the Cape Metropolitan Area is extremely poor and in urgent need of repair and upgrade'. The report called for a rigorous investigation into infrastructure needs and the upgrading and new development that should be undertaken. However, as the authors noted presciently, it is difficult 'to attract capital expenditure investment and funding for these issues' (PwC/Gobodo 1999). This finely detailed report on the sewage risks predated the formation of the unicity, and should have headed the order of business when the Democratic Alliance (DA) administration took power in Cape Town in December 2000.

In the face of the City's political turmoil, the requisite action was not taken, and by 2006 there was evidence of a

CITY OF CAPE TOWN

Progress with basic sanitation, 2001

Population: 2 893 246 – an increase of 13 per cent, compared with 1996

Number of households: 759 765 – an increase of 18 per cent, compared with 1996

Flush toilets: an 11 per cent increase in households with flush toilets, compared with 1996 (an addition of 65 334, but the proportion fell from 90 per cent to 85 per cent)

Safe water: 17 per cent more households had safe water (an addition of 111 602)

Backlogs, 2001

Toilets to RDP standards: 93 556 – 12 per cent of households (Johannesburg's backlog was 12 per cent)

Water to RDP standards: 66 945 – 9 per cent of households (Johannesburg's backlog was 9 per cent)

Expected growth in population

2001	2006	2011	2016	2021
2 994 779	3 239 768	3 393 017	3 474 025	3 509 033

See the City of Cape Town website: www.capetown.gov.za

Sources: Demarcation Board/Stats SA < www.demarcation.org.za/municprofiles2003/index.html>; Dorrington (2005); *Cape Times* (22.06.06) systemic failure in the water-treatment/sewerage system in Cape Town:

- The Department of Water Affairs and Forestry (DWAF) found that the City failed to meet national health standards for sewage effluent 25 per cent of the time, discharging sewage into metropolitan rivers and into the sea. (*Cape Times* 22.06.06)
- Dereck Bock, chief operations officer of the Cape Town Central Improvement District, reported complaints from property management companies in the central city that raw sewage was being pushed out of manholes in the basements of their buildings. (*Cape Argus* 29.09.05)
- Cape Town's Director of Water and Sanitation, Sipho Mosai, reported that 'most of the city's facilities are already running at 100% of capacity, or more … The demand on waste water treatment still outweighs the supply … It's a question of economics. They have not been able to put sufficient money on the table to keep up with growth.' (*Cape Times* 23.06.06)
- Rashid Khan, regional director of DWAF, said that even at the City of Cape Town, officials had difficulty convincing the council of the need to budget for the renewal of water and sewerage infrastructure: 'The City of Cape Town has old infrastructure. [It] needs to spend money on pipes, on upgrading water purification works, on sewerage systems. [It is] looking at 5% growth and needs to plan for that.' (*Cape Times* 22.06.06)

Bulk infrastructure will fail from time to time, but this can be managed so that it does not have a major impact; however, when failures are regular and sustained they begin to affect people.

Not everyone would agree with a diagnosis of systemic failure. Some might say that while there are evident stresses in Cape Town's water and sewage treatment value chains, these are due more to the commitment of the government (at all levels) to redress the imbalances of the past than to a systemic failure. Many residents of Cape Town were excluded from the high levels of service provided in the core areas of the City and, after 1994, it was imperative to bring basic services to all people. There are still enormous backlogs because progress has been retarded by political uncertainties, by funding limitations and by the capacity of local government to manage the complex investment programmes that are being rolled out. The problems of sewage and water are being addressed – by the new Berg River Dam to supply water, and by the ongoing programme to upgrade and expand the 23 treatment works across the City. The most recent example of this is the upgrading of the capacity of the Potsdam sewage treatment plant in Milnerton, which cost R19 million and took more than a year to complete. As the City's Director of Water and Sanitation, Sipho Mosai, said: 'This is just one of many waste water treatment plants to receive an upgrade in the coming years.' Mosai acknowledged, however, that 'there are still problems with sanitation infrastructure' (*Cape Times* 23.06.06).

The commitments to end the bucket system and to provide safe water to informal settlements, and the major growth in housing in the City (undertaken by both private and public sector), have certainly contributed to the problems with water and sewage. Still, the weaknesses in the system, and the dire consequences of inaction, have been highlighted repeatedly over the past decade.

Why has local government in Cape Town failed in this core function? Officials appear to have neglected their duty to provide sufficiently forceful advice to politicians. Politicians have rejected technical reports and have diverted funds to other uses. As with any issue in the Western Cape, the answer is more multifaceted than would be the case anywhere else in South Africa.

Institutional transitions

Cape Town welcomed the release of Nelson Mandela in 1990 with a more confused mix of representative and administrative authorities than other parts of the country. These were the legacy of apartheid policies of racial division, which had sought to deal with the area's substantial coloured population. Waste-water management was originally under a white-controlled District Council, which made way for a non-racial Regional Services Council, itself replaced in May 1996 by the Cape Metropolitan Council (CMC). The CMC was responsible for waste-water conveyance and reticulation, having taken over all the waste-water assets and treatment plants from the individual municipalities, such as Milnerton, Goodwood, Parow and Belville. Then, in July 1997, the waste-water function was split between the six new Metropolitan Local Councils (MLCs) and the CMC. The CMC retained the responsibility of providing sustainable bulk waste-water conveyance and treatment services within the Cape Metropolitan Area, and the MLCs resumed full responsibility for the sewerage in their areas.

It proved very difficult for the CMC to integrate and unify the facilities, conveyance systems and equipment that had developed organically within the separate previous administrations. The new institution was assembled in a bureaucratic manner, which did not ensure that adequate local knowledge was represented within it. Each of the previous authorities had managed the local treatment of their own waste water prior to the CMC taking over – and they had performed this function well. The scale of their operations was much smaller, and people felt responsible for the work they were doing. With the creation of the 'empire' of bulk services in the CMC, local officials regarded water-treatment issues as 'the CMC's problem'. Treatment plants that had been nurtured by small municipalities over many years, and expanded with appropriate upgrading and maintenance programmes, were taken out of local control. The CMC did not succeed in establishing a constructive relationship with the MLCs, each of which began to develop a very strong sense of its own identity.

At this time, the pace of settlement growth in Cape Town began to accelerate. The MLCs competed with one another for new developments. The CMC (and probably the MLCs themselves) did not appreciate the speed of the growth or its impact across the Cape Metropolitan Area on traffic and electricity as well as on water and sanitation.

By 1999, it was apparent that large capital investment was required to maintain and expand services in order to manage increasing waste-water flows. Some treatment works were operating at full capacity or above capacity. Projections were made to indicate the scope and nature of the necessary upgrades; if completed on schedule, these would give the treatment works the capacity they needed. However, the consultants who prepared the review of service delivery questioned whether the existing municipal structures and processes could attract the required level of investment (PwC/Gobodo 1999).

The troubled transition from the previous municipalities to the CMC was placed under additional stress in 2000 with the formation of the giant Cape Town unicity.

Political churn

Cape Town had five mayors between December 2000 and 2006, and was governed by four different political parties or coalitions. Contestation between political parties that were constantly crumbling, reforming, absorbing and swapping adherents had a hugely disruptive and undermining effect on an administration that was new and unsure of itself. Under the fourth mayor, the council changed its top management structure to allow for an executive mayor and a mayoral committee. Processes and information that previously had been shared within a multi-party executive committee were now under the control of a single party. This increased the levels of petty politicking, already a noted feature of the Western Cape scene. Every issue was politicised instantly. Politics bedevilled the relationship between the politicians and the administration, and created severe internal problems, as many officials were party political appointees who were open to political pressure in the performance of their duties. Each time political control of the council changed, there was a purge of the managers at the top and a new round of debilitating organisational restructuring – effectively a 'spoils system'.

A retired City official, interviewed for this article, believes that the particular way in which municipal government has been politicised in Cape Town is one of the worst features of the new dispensation. When councils were smaller, a bond of trust could be established between the council and its leading officials. This is absolutely essential when the council considers technical advice. In fact, officials often embody institutional memory as well.

> *We did not agree all the time. Often they would not do what we wanted, but we could discuss it. The lack of acceptance of advice from technical people is a major problem. It is true that engineers are not used to selling their proposals, but a lot of it has to do with trust. Now, as soon as the DA would support a proposal, the ANC would oppose it. With the recent change in administration, ANC councillors are criticising the DA for policies they supported when they were in power.*

From the point of view of sanitation, the effect of changes in political leadership was felt most strongly after the ANC won a majority in the council in 2003. The City was then in a financial crisis· and it was hard to find funds to support the expansion of services. The council re-prioritised the budget in a way that slashed planned capital spending on bulk waste-water projects and transferred it to creating infrastructure for housing in the growing African township and informal settlement areas of the City, where conditions were dire. Council officials objected, as did the DA, which ensured that a technical issue would be treated simply as a political issue. Indeed, it was high time that housing in Khayelitsha was prioritised, but not all citizens could afford for this to be at the expense of sewerage management.

Perhaps the ANC administration did not appreciate the long-term impact of not maintaining infrastructure.

Engineers tend to over-design sewers and treatment plants, often enabling these assets to operate beyond their service-by date; but there comes a time when action has to be taken or the asset deteriorates beyond the possibility of refurbishment and has to be replaced, or citizens are placed at risk. Unfortunately, most of the management were white and were seen to be protecting sectional interests. Technical staff are also perfectly capable of playing games here; for example, they know how to ask for more than they need, hoping for a surplus. Internal competition for money between services is a normal feature of any municipality. The ANC wanted to be seen to be changing spending priorities towards the poor. This was not wrong, in principle, but overlooked the consequences that certain decisions would have.

The present perilous state of the sanitation system in Cape Town cannot be attributed to the actions of one political party. The problems predate the change in government, and their resolution has been made more difficult by a politicised environment in which decisions are not considered on their merits. But the tradition of political decision-making has become more entrenched. It applies also to decisions that filter down from Pretoria; in the most egregious example, Cape Town complied with national government pressure to build the N2 Gateway housing project in a location where the sewerage system already could not cope.

Staff issues

The institutional mergers drew more than 30 000 people into the new Cape Town unicity administration. Many already felt bruised by the way in which the CMC had dealt with staffing issues in 1996. People were moved departmentally and physically without consultation. The views of local staff on how their functions would be performed most effectively in the new structures were not considered. There was deep dissatisfaction about how people were treated. The unicity inherited a legacy of profoundly demotivated staff, particularly at middle-management levels. People worked for years in 'acting' capacities while new institutional structures were debated, confirmed, suspended, reconsidered and reconfigured as the council went through its erratic political cycles. The transition process for staff in the Cape Metro entered its tenth year in 2006.

If staff lack motivation, does that mean they are incompetent? Former DWAF Director-General, Mike Muller has said about small towns that 'officials in charge of water systems are inadequately trained. Senior municipal posts are filled on a political basis instead of appointing competent technocrats … Politicians focus their budgets on visible activities and neglect the operational requirements of the hidden systems that keep their towns alive.' (*Business Day* 26.09.05)

There is no sense that Cape Town's crisis in waste-water management is due to incompetent staff. One problem may be a lack of experience, in particular of the link between the metro level and the local level in understanding the history of treatment works and their intended expansion trajectories. Many senior staff accepted voluntary severance packages under the prevailing demoralisation. Compared to other cities, Cape Town is 'overstaffed', but the loss of institutional memory has been severe.

Delays in processes

For many years, there was a policy that funds allocated in one budget period could not be carried over to the next. In the case of capital projects, which have long lead-in periods, this was problematic because work did not begin on a project until the budget allocation had been confirmed. There was then a very slow process of preparing the specifications, making available the designs and beginning the tendering process. It could take many months to be ready to spend the money, even if it had already become available. Sufficient design work would not be done in advance. Projects that were started before the budget was finalised would be stopped if they were not allocated funding. Bulk infrastructure projects need capital and, until recently, when the three-year budgeting cycle of the medium-term expenditure framework came into effect, delays in council processes prevented money from being spent as planned. Defects in the tendering process within the City of Cape Town have delayed and derailed many projects.

Institutional issues, feuding politicians and lack of vigilance by technical staff have all played a part in the mismanagement of sanitation issues in Cape Town. An additional contributor to the arsenal of maladministration deserves mention – the law. The expansion of treatment works and construction of sewage conveyance systems are usually subject to an environmental impact assessment (EIA). The way South African law works at present provides an opportunity for a small group of people, at no cost to themselves, to delay the project. The EIA process is buttressed by a long appeal procedure. In the case of the upgrade to the Potsdam treatment works, for example, environmental clearance processes delayed the project by two years. A group of ratepayers who wanted the plant constructed elsewhere had a major impact on the time it took to complete this crucial sanitation project.

Holistic planning is also glaringly absent. Cape Town was never planned to sustain a population approaching three million people. Waste-water services were set up by the separate local administrations that later combined to form the Cape Town Metro. A single bulk services operator is indeed the correct approach, if correctly implemented, clearly understood and well run, but this has not been the case. Adequate integration of the different services has not been achieved. Consultation has been lacking. Sanitation planning, which must involve DWAF as well as the municipality, has never been carried out on a metro scale. Today, Cape Town still lacks a metro-wide perspective on waste-water management. Its vulnerability to crisis is recorded in many reports, but is not effectively recognised by the council. It teeters on the edge of disaster.

In contrast, Johannesburg has begun to develop a clear perspective on electricity provision. This was forced upon the City by a series of debilitating crises – financial and electrical – but Johannesburg appears to have looked its problems in the face and now has a five-year plan to address its own legacy of mismanagement.

JOHANNESBURG ELECTRICITY

> *This is the first time I have experienced such good organisation and an excellent electricity supply in a developing country.* (Kofi Annan, at the World Summit on Sustainable Development, Johannesburg, *Sunday Times* 17.11.02)

At 17h45 on 22 November 2004, there was a 'major incident' at the Hurst Hill Substation in Westdene, Johannesburg, which ushered in the worst power outage in the history of the city (*The Star* 28.06.05; NER 2005). A transformer caught fire, the network tripped and closed down, and thousands of homes and businesses were left without electricity for up to four days. The affected areas included Auckland Park, Melville, Newclare, Sophiatown, parts of Delarey Park, Westbury, Bosmont, Claremont, Greymont, Crosby, Northcliff Extension 25, Rossmore, Richmond, Albertville and Martindale. Following the massive blackout, waste removal companies disposed of almost 18 tons of spoiled food from businesses in Melville and surrounding areas (*Sunday Times* 28.11.04).

Although the Hurst Hill outage was the most widespread and severe power cut, it was not the longest and not at all unusual. It was part of a cascading series of persistent power disruptions that Johannesburg had experienced for many years. A month before the Hurst Hill incident, the CEO of City Power, the company responsible for distributing electricity in most of Johannesburg, had admitted that certain areas of the city would face power cuts over the following five years, because of the dilapidated state of the network and the pressures imposed by rapid economic growth (*The Star* 03.08.04).

City Power knew exactly what the problems in Johannesburg were, but failed to act with the speed and seriousness that the situation required. This appears to be a clear case of maladministration, and one, most unusually, in which the individual responsible was held to account.

2004 was a record year for outages. This prompted Brian Hlongwa, the city councillor responsible for municipal services, to promise in early 2005 'that he would resign if things did not improve at City Power this year, and City Power CEO Kenneth Mohlala would be fired' (*The Star* 28.06.05). Mohlala was not fired, but his five-year contract was not renewed, after the number of blackouts in 2005 was estimated to have exceeded those in 2004 (*Business Day* 09.01.06). The media and the opposition DA congratulated the ANC for its bold action against someone who had not delivered (*Sunday Times* 26.03.06).

City Power knew exactly what the problems in Johannesburg were, but failed to act with the speed and seriousness that the situation required. This appears to be a clear case of maladministration, and one, most unusually, in which the individual responsible was held to account. However, an understanding of the context and history of civic management in Johannesburg since 1994 would question this interpretation. Matters had deteriorated to such an extent by the time City Power was formed that widespread network breakdowns were inevitable for a long period.

Financial crisis – no money, no investment

Johannesburg is unique among South African cities in the way that its services are structured and operated. City Power was one of three utilities, with Johannesburg Water and Pikitup (responsible for solid waste) established in 2000. All are owned by the City Council as sole shareholder, but operate as self-contained businesses. The utilities are run on strict business lines, with their own staff, management and board of directors. Each is a registered company with its own balance sheet. City Power's core competency is to purchase, distribute and sell electricity. It is accountable for constructing networks, connecting customers and repairing and maintaining networks (CoJ 2005).

This structure came about because of a crippling financial crisis that the City faced in 1997 and which was resolved with the iGoli 2002 rescue plan. The primary aim of the plan, which formed the basis of Johannesburg's application to the National Treasury for a restructuring grant, was to address the financial situation. The City's predicament was aggravated by many factors, including being owed R2 billion for unpaid services, chiefly electricity accounts, by both township and large institutional clients. The initial mergers after 1996 trapped the four Metropolitan Local Councils (MLCs) in self-examination processes, with the consequence that they were unwilling to look beyond their immediate institutions and to assess the context within which they were functioning (GJMC 2000). As councils combined and became bigger, people did not realise how poor decisions or delayed action could multiply negative impact; and, lacking money, the municipality cut back on repairs and maintenance.

Table 4.1.1: GJMC expenditure on repairs and mantainance (all services)

	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
Repairs and maintainance	R615m	R560m	R438m	R394m	R317m	R539m
Percentage of expenditure	12.5	9.9	6.7	6.0	4.6	4.9

Source: Stats SA, LFS September (2002, 2003, 2004); SARB <www.resbank.co.za>

Metropolitan Electricity was formed in 1995 to consolidate the electricity function at the metropolitan level for Johannesburg. This was, in part, a response to the initial national thinking on Regional Electricity Distributors (REDs), which would combine the distribution assets and functions of Eskom and municipal electricity utilities. In May 2001, following a process that involved the relevant national government departments, Eskom, local government and the NER, the government decided to proceed with the establishment of REDs. It was hoped that the REDs would be operational by 2004 (Eberhard 2001). By 2006, after important revisions to the plans, only the

CITY POWER, JOHANNESBURG

Progress with basic electricity, 2001

Population: 3 225 812 – an increase of 22 per cent, compared with 1996 (expanding at a rate of 4.9 per cent a year)

Number of households: 1 006 931 – an increase of 39 per cent, compared with 1996

Electricity for lighting: 37 per cent more households had electricity for lighting, compared with 1996 (an addition of 230 924 connections, but the proportion did not increase because of a faster rise in the number of households)

Backlogs, 2001

Electricity for lighting: 152 176 – 15 per cent of households (Cape Town's backlog was 11 per cent)

Power outages

There still appears to be no agreed way of measuring power outages – their number is not necessarily proportional to their impact

See the City Power and Johannesburg websites: www.citypower.co.za and www.igoli.gov.za

Sources: Demarcation Board/Stats SA <www.demarcation.org.za/municprofiles2003/index.html>; *Business Day* (26.09.05)
Note: Eskom provides electricity in the south of Johannesburg, and many of the new connections were in Eskom, not City Power, areas

Cape Town RED was in place, albeit not yet operational. The formation of the second RED, Jored in Johannesburg, is scheduled for the last quarter of 2006.

Behind the iGoli 2002 plan for electricity

The financial crisis in Johannesburg created a situation in which maintenance was delayed and capital spending on electricity halted. A 1998 report highlighted the risk this posed to the network: 'Already cutbacks in Metropolitan Electricity's capital programme have had to occur owing to reasons beyond their control … once an electricity organisation has to cut back on its maintenance and capital programmes the setback tends not to be temporary' (GJMC 1998: 23). This reflects the situation resulting from historical mismanagement that City Power was designed to fix.

As a consequence, Metropolitan Electricity became a decentralised electricity utility with its own identity within the Greater Johannesburg Metropolitan Council (GJMC). This step alone would make it possible for the city's electricity supplier to operate as 'an asset-intensive continuously operating engineering function' (GJMC 1998: 25), rather than as a municipal department.

> *A utility of this size should have a five to ten year asset and capital plan in place as a working document. Its corporate plan should be established on a three-year cycle with annual updates … Utilities which are engineering based always have difficulties when they report to controlling bodies which do not contain technical perspectives and expertise … the long term implications of decisions are inadequately evaluated … The smaller issues which are within the general scope of non-specialised representative laymen receive undue attention because they cover topics with which the layman is far more familiar and can express a non-technical opinion … issues are being viewed from the perspective of municipal politics and not from the outlook of … [an] electricity utility.* (GJMC 1998: 26)

The clear implication of the GJMC report is that, until 2000, political influences, inappropriate financial rules and inadequate funding were the causes of the City's mismanagement of its electricity distribution function.

City Power starts, but falters

City Power began operations in 2001, in tandem with the birth of the fully merged municipality of the City of Johannesburg. It was staffed by senior managers from Eskom, led by MK Mohlala as its president and CEO.

From the outset, City Power was aware of the huge challenge it faced. It was a separate entity, but still relied on the City for funding; and, despite the recognised huge backlog in infrastructure, adequate funds were not voted to it. The DA claimed that City Power had proposed a R412m capital budget in 2003/04, but only R246m was allocated (see *The Star* 31.05.03; *Mail & Guardian* 18.08.05). The new organisation had to establish itself and create an institutional base from which to function. At least two areas contributed to the delay in City Power getting fully under way. Firstly, there were governance and management tensions between the City of Johannesburg and City Power concerning who would 'own' the electricity customer, who would have the right to cut off customers, who would decide on the infrastructure roll-out agenda, and who would be responsible for billing and cash management. Secondly, there were complex staffing issues. Electricity staff from a dozen former local authorities (and linked to an even wider variety of retirement plans) had to be brought together under unified conditions of service. The company had to plan to absorb a large support-staff compliment from the City in respect of non-core functions such as security, catering and gardening services. Restructuring required a prolonged inward focus to resolve these essential human resources issues.

It is evident that City Power also underestimated the extent to which infrastructure had deteriorated and the complexities that it faced in correcting the situation. After four years, there was no sign of any improvement in the consistency of power supply; in fact, more outages than ever were being recorded (*Business Day* 26.09.05). It appeared that the utility was operating in crisis-management mode, with 95 per cent of maintenance work at the utility being unplanned. The aim was to cut unplanned maintenance to 20 per cent and to increase planned maintenance to 80 per cent – but with this target to be reached only by 2010 (*Engineering News* 06.05.05).

City Power has had many opportunities to explain the reasons for the power outages and for the poor standards of service that the citizens and businesses of Johannesburg have had to contend with. These are considered below.

- *Ageing infrastructure*. Johannesburg's power network is characterised by 'aged, under-designed and obsolete infrastructure with a high failure rate, particularly the underground cables'. Cable faults are estimated to account for 50 per cent of power failures, with damaged cables responsible for 12 per cent, equipment faults 12 per cent and overloading 5 per cent. Several transformers, which were intended to have an operating life of only 36 years, are still in use after nearly 70 years. Many transformers need to be replaced or refurbished. The city's switchgear, supplied by more than 30 different manufacturers (such as AEG, Alstom, Brush, Siemens, EIB, GEC and South Wales), is of varying age – as much as 70 years in some cases – and includes different technologies (oil, vacuum and gas insulation, for example), which makes maintenance and repair difficult. (*Engineering News* 06.05.05)

- *Huge pressure from expanding demand*. Development in Johannesburg is led by powerful market forces. Developers construct new shopping centres and plan new townships without ascertaining whether the existing infrastructure can bear the increased load (*Engineering News* 06.05.05). In some cases, the city planning department has turned down planning permission because of insufficient electricity in particular areas, such as the Randburg central business district (CBD) (*The Star* 15.05.05; *Saturday Star* 06.09.03). In other cases, the council has approved development, despite the electricity problem, because of the benefits of strengthening its rates base. Illegal connections also place unplanned pressure on the network in certain areas, increasing its unreliability (*Sowetan* 28.02.02). According to the City Power operations manager for Alexandra, Lerato Setshedi, figures indicate that while only 16 000 houses were registered as electricity users, more than 80 000 households were actually using the system. This also involves residents, legally connected to the electricity grid, who illegally supply neighbours, which leads to a severely overloaded network. (Johannesburg News Agency; www.citypower.co.za)
- *Separate networks*. Each of the many former municipalities that now make up the Johannesburg Metro had its own policies when it came to infrastructure development. They used different equipment and diverse technical designs. There is no network interconnectivity between the previously independent transmission systems that supply Roodepoort, Sandton and Randburg, and the central and southern regions of the city. Because of the differently configured systems in use, it is impossible to divert power supply from one area to another when there are disruptions. (*Engineering News* 06.05.05; *Business Day* 22.03.05)
- *Theft of cables and vandalism*. The theft of underground cables has proved to be such a serious problem that City Power has set up a department dedicated to solving cable theft and monitoring underground cables. Cables are sold to scrap-metal dealers. Apart from the cost of replacing the equipment, cable theft can cause power outages, such as the one in the Johannesburg CBD in January 2006, when several blocks of the city were without power for as long as 12 hours. (*The Star* 12.01.06)

Table 4.1.2: City Power, capital expenditure

2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
R200m	R217m	R246m	R400m	R675m	R713m

Source: CoJ (2002, 2003); *Engineering News* (20.07.01); *The Star* (27.05.05); *The Citizen* (06.09.05); *Business Day* (25.05.06)

It is clear to all that City Power has an extraordinarily difficult job to do. When the lights fail – again – because a substation is on next year's refurbishment list, when cables are stolen, or when the problem relates to supply from Eskom, we can understand. This is not mismanagement, it is dealing with harsh reality. Nevertheless, after five years of City Power, when there is no answer at the call centre, when the Contract Management Unit cannot verify whether lights reported for repair have been fixed, when bird nests are found lodged in the cooling vanes of transformers at the Fordsburg substation, these are hardly indicators of good management. The NER audit on City Power maintenance noted this and a range of other weaknesses, but gave a high pass rating. However, when the Board of Directors agree on performance targets for the CEO, which reward him with a 30 per cent bonus for the financial year in which the above items were reported, consumers inevitably baulk. (NER 2005; *Business Day* 01.07.05, 26.09.05; *Financial Mail* 16.09.05)

City Power is working to set its future direction within a five-year network master plan, which will restore reliability to power supply in Johannesburg (*Mail & Guardian* 18.08.05). More than R1.6 billion is earmarked for spending on replacements and upgrading in the three years to 2009 (*The Citizen* 22.02.06). This confirms the higher level of capital expenditure set since 2004 (see Table 4.1.2).

It is intended that City Power will combine with Eskom to form the new RED for Johannesburg. In its coming phase of growth, electricity distribution will be less under the influence of the City and more strongly directed by the National Energy Regulator of South Africa (NERSA), which has new powers to oversee the industry.

The size of the investment required to restore the health of electricity in Johannesburg is huge. City Power was given the highest allocation of all the utilities and agencies in the 2006/07 budget for Johannesburg (*Engineering News* 24.05.06), which reflects a realistic assessment of the importance of a reliable electricity supply for the future growth of the urban region of which the city is the core. This case study shows how very long it takes to recover from a lapse in maintenance spending and underlines the heavy penalties paid by the city, and the country at large, for the neglect of infrastructural assets.

DEMANDS OF TRANSITION

The institutional environment is an overwhelmingly important factor in the story of the mismanagement of South Africa's infrastructural assets. This has a political aspect to it as well as an administrative aspect. The profound political changes after 1994 would have destabilised any civic institution, as new politicians came in with new policies and appointed new administrative leaders.

Municipal institutions, themselves, were changed fundamentally and disruptively by restructurings, conglomerations and amalgamations, which began in 1993 when the Local Government Transition Act dissolved the racially based local authorities and created new combined administrations. In 1996, a further round of rationalisation followed the first democratic elections for local government, which were held in 1994/5. Then, in 2000, in terms of the Municipal Structures Act of 1998, 850 local authority structures were combined into the 284 metropolitan, district and local municipalities that South Africa has today. Six years later, many municipalities (Cape Town included) had still not completed the placement of staff into the new united structures. Table 4.1.3 illustrates the structural impact of these changes in Cape Town and Johannesburg.

With the reduction in the number of local authorities came increases of scale that made the mouths of consultants water with anticipation. The complexity and range of the responsibilities of local government also increased. A slew of new laws regulating local government and defining its powers took more than ten years to be put in place. In the past, municipalities administered urban areas only. Under the new laws, most municipal areas included agricultural and undeveloped land, where services, supported by utility infrastructure, still had to be delivered. Municipalities used to be responsible for a well-defined set of duties involving roads, property and services. Now they were to become the local delivery arm of all spheres of government, with the general duty of promoting economic and social development. Wide public participation was written into the laws, requiring municipalities to engage in consultation before setting action priorities in their Integrated Development Plans, which are subject to a demanding annual cycle of review and revision.

Not only did the laws and regulations change, they embodied a radically new philosophy that would apply to our cities. The laws tended to set in place an enabling framework

Table 4.1.3: Local government structures in Cape Town and Johannesburg, 1993–2000

	Before 1993	1993–1996	1996–2000	Since 2000
Cape Town	17 Administrations reporting to 58 municipal entities including 15 white Local Authorities, a Regional Services Council, 5 black Local Authorities, 26 Management Committees and a Management Board	19 Administrations	Cape Metropolitan Council and 6 Metropolitan Local Councils	1 Category A Municipality
Johannesburg	13 Local Councils and 2 black Local Authorities	7 Administrations	Greater Johannesburg Metropolitan Council and 4 Metropolitan Local Councils	1 Category A Municipality

for democratic decision-making, replacing the historical model based on a legally defined, comprehensive administrative system. This democratic logic made the work of municipalities more difficult, because it opened new areas in which choices had to be defined and made. Previously, a town clerk was an administrator who made certain that the city complied with the law. Since 1994, there has been a move towards a system that allows far more political and management discretion. The compliance requirements of the laws remain extreme, but the scope for political decisions to 'interfere' with prudent governance has increased. Larger institutions combined councillors from communities with very different histories and expectations. Councillors often did not (and may still not) fully appreciate the difference between their political role and the administrative role of municipal officials: democracy dictates that elected politicians decide what is to be done, while officials determine how it is to be done.

In some cases, officials in the administration have found common cause with politicians in creating a 'spoils system', where corruption, fraud and nepotism have developed as accepted ways of working.

Local government remains a sphere in which there is strong contestation over powers, roles and responsibilities. In some cases, officials in the administration have found common cause with politicians in creating a 'spoils system', where corruption, fraud and nepotism have developed as accepted ways of working. In other cases, officials have used their powers of maladministration to subvert legitimate council decisions and obstruct the efficient operation of the council. Between these two extremes lurk every conceivable combination in the troubled interface between the political and the administrative.

The bold new democratic environment required consultation and diplomatic skills that were outside any tradition of municipal governance. Municipal officials communicate through reports. An 80-page report, full of detailed and technical information, and with a page of recommendations, may be tabled for a council decision. Often, the context of the report and the advised course of action are not well explained. Councillors may be uncertain whether the recommendations comply with the council's agreed priorities. They may not understand the consequences of delaying a decision. There is no malicious intent on either side – but the right decision, or any decision, does not get taken.

The new structures of local governance called for people with qualifications and experience that were (and remain) totally new to the public service in South Africa. People were expected to ease into responsibilities and roles that were different to anything that had come before and, then, to produce short-order delivery. That some successful delivery has happened is quite amazing. People whose driving experience was limited to a Toyota Corolla found themselves expected to pilot 34-wheeled mega-trucks along twisted roads to a tight schedule. The fact that many municipal vehicles have lumbered off the road onto the muddy shoulder is no surprise, nor is the fact that some have jack-knifed and others have been hijacked. In some vehicles, even today, the national politicians work the accelerator, the local politicians steer and the administration tries to control the brake.

No training is available in this 'new curriculum' for local government, because it has no defined or agreed form; it is being invented, in practice, on a daily basis. Because of the freedom allowed and because of the controls set in place, this can have perverse incentives and unintended consequences, well illustrated by the way that city managers and senior officials of manifestly failing municipalities continue to receive their bonuses. Performance measurement is based on the completion of tasks, and the tick-box logic used in the past is used to monitor procedural compliance; the content of the delivery is often not mentioned.

City managers, especially of Metros, have to achieve a huge amount with limited resources. Finding the right person, with the essential competencies and experience, who is willing to accept the position, is the difficulty. The job of a top city manager in South Africa is no less demanding than that of any top politician or official.

CONCLUSION

In the 'new South Africa', local government has been burdened with many new roles – as the delivery point for a wide range of provincial and national policies (housing, health, services) across wide geographical areas, and as the vehicle to manage local political participation. In undertaking these varied and difficult tasks, however, it has neglected its core function, which must include the prudent development, care and maintenance of municipal assets. Reliable electricity, water, roads and telecommunications are the fundamental requirements for a successful city. Everything else rests upon this foundation.

Infrastructure programmes are a major component of the Accelerated and Shared Growth Initiative for South

Africa (ASGISA). Overall government plans for infrastructure spending will total in excess of R320 billion over the medium-term expenditure framework (MTEF) cycle up to 2007/08 (Mbeki 2006). Half of this will be undertaken through the three spheres of government, 40 per cent will be under the care of the state-owned enterprises and the remainder will be allocated through public-private partnerships and development finance institutions.

According to the Government Communication and Information System (GCIS 2006): 'The planned rate of growth of the capital budget of government at between 10% and 15% per year is unprecedented in South African history.' Projects are to be distributed to provincial and local government through the municipal and provincial infrastructure grant programmes; and provinces and most municipalities have access to further funds for capital expenditure collected from their own revenue sources.

A major share of the new investment will go directly into electricity and water undertakings. Key areas of government expenditure, incorporating all spheres, are: provincial and local roads, bulk water infrastructure and water supply networks, energy distribution, housing, schools, clinics, business centres, sports facilities and multi-purpose government service centres, including police stations, courts and correctional facilities.

The mismanagement of South Africa's infrastructural assets is not addressed directly by ASGISA. The initiative focuses on replacing essential assets that have been degraded and neglected, and on creating new assets to provide a platform for economic growth.

Given the particularly dismal record of the public sector (including the state-owned enterprises) in looking after existing infrastructure since 1994, it would be prudent for ASGISA to devote concentrated and specific attention to the management of the new infrastructure, alongside that which already exists.

APPENDIX

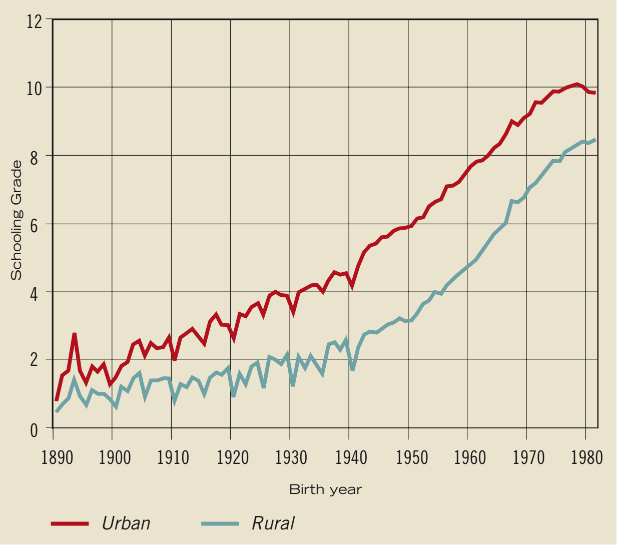
CHAPTER 3: DATA AND METHODOLOGY

In order to investigate historical trends in educational attainment, census data for various years are used. The qualifications included in census questionnaires were converted into formal education grade equivalents. Educational attainment of less than matric with a diploma or certificate is counted as completion of Grade 11 at most, to reflect the fact that the matriculation exam, the only real hurdle in the school system, has not been cleared. As educational achievement is a permanent personal characteristic, which can be supplemented but not decreased later in life, this allows a fairly accurate picture of historical patterns of educational attainment and, therefore, of the historical flows through the school system. For older cohorts, the picture may be less accurate, however, if there are differential mortality patterns. These are known to exist between race groups, although no information is available regarding differential mortality between less and more educated groups within any population group (except for strong evidence of higher mortality within the rural African population). Nevertheless, the 2001 census-based picture of educational attainment is largely accepted as a snapshot of the past. The 1970 census allows some of the data from the 2001 census to be supplemented with data from three decades earlier for some of the same birth cohorts.

The 2001 census shows a more volatile picture for the younger age groups. This is to be expected, given the smaller sample of data made available from this census and as a result of mortality amongst older cohorts reducing the number of individuals in these age groups considerably, making measurement less accurate. On the other hand, the closer one gets to the census date, the less true it is that mean attainment reflects the final attainment of a particular birth cohort, as many may still be studying or are likely to do so in future. This is illustrated by the 2001 census: attainment peaks in the 1978 cohort, but the decline observed in the most recent birth cohorts is likely to be artificial, reflecting the fact that some of the people in this age group were still engaged in education at the time the 2001 census was collected. For the same reason, one would also expect the data for cohorts in the late 1940s to show lower attainment than those cohorts eventually reached. The vertical line at 1940 is where the two datasets are spliced, using attainment data for the years before 1940 from the 1970 census, and thereafter from the 2001 census. This gives relatively smooth data, although measurement at higher education levels (matric and above) differs more than it does at lower educational levels between the censuses.

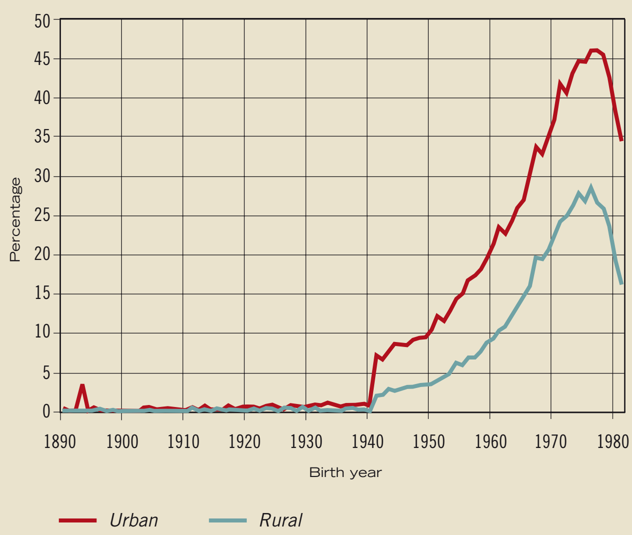
Another issue that may affect the reliability of our estimates of progress through the schooling system is measurement error. The census asks individuals what their highest education grade/qualification is, implying that children in school should report the last grade that they have completed. However, some individuals may not have answered the question correctly, instead reporting the level of education in which they were currently enrolled. In 1991, 12.1 per cent of individuals in our sample of 10 to 21-year-olds reported having completed more than two years of schooling above the level expected for their age, and in 2001, 10.9 per cent did likewise. It is common in surveys that an inordinately large proportion of youths who report having completed matric also report that they are still in school. We are unable to correct for these forms of reporting error due to the difficulties associated with modelling them, and instead provide this information only as a caveat to the usefulness of our results.

Figure 3A.1: Mean African educational attainment by birth cohort and location



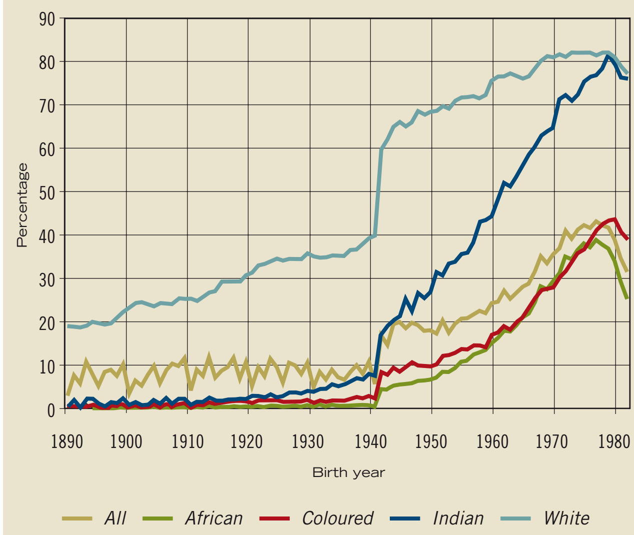
Source: Own calculations based on 1970 and 2001 census data

Figure 3A.2: Proportion of African population with matric by birth cohort and location



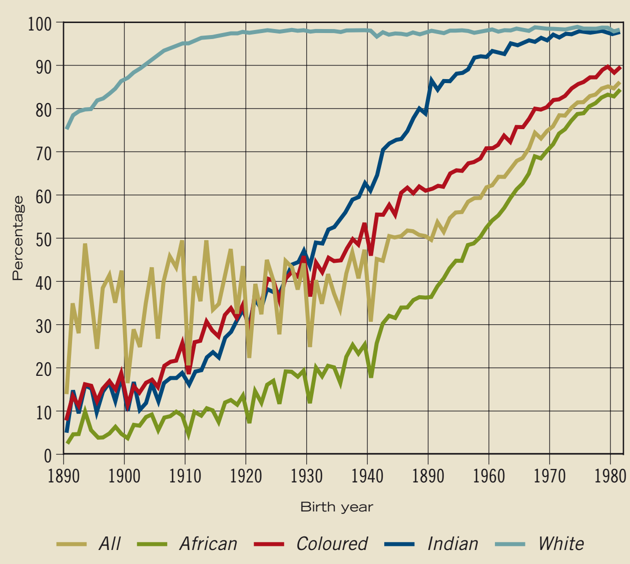
Source: Own calculations based on 1970 and 2001 census data

Figure 3.A.4: Proportion of population with matric by birth cohort and race group



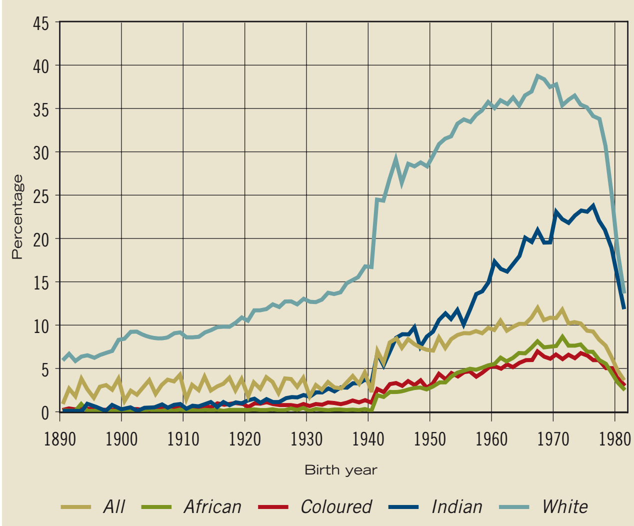
Source: Own calculations based on 1970 and 2001 census data

Figure 3.A.3: Proportion of population with complete primary schooling by birth cohort and race group



Source: Own calculations based on 1970 and 2001 census data

Figure 3.A.5: Proportion of population with tertiary qualifications by birth cohort and race group



Source: Own calculations based on 1970 and 2001 census data

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Money and Morality

2006 Transformation Audit
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