

UNIVERSITY OF THE WESTERN CAPE
DEPARTMENT OF ECONOMICS



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**GOVERNMENT INTERVENTION TO ALLEVIATE POVERTY IN
SOUTH AFRICA, WITH A SPECIFIC FOCUS ON POVERTY IN
THE EASTERN CAPE**



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**Research report presented in partial fulfilment of the requirements for the degree of
Master in Economics in the Faculty of Economics and Management Science,
University of the Western Cape**

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DECLARATION

I, the undersigned, hereby declare that the work contained in this research report is my original work that I have not previously in its entirety or in part submitted for any degree or examination at any other university. All the sources used or quoted have been indicated and acknowledged as complete references.

Nceba Sithole



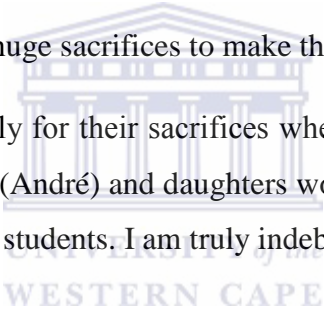
Signed.....

DEDICATION

This report is the result of the support and encouragement of many people. I have pleasure in acknowledging the support and assistance of those who have in various ways contributed to its successful completion.

I am particularly humbled by the humility and resolve Mrs Elizabeth Stoltz has to make our newly found democracy work. Her keen interest to know more about each student makes her stand out as a leader and pedagogue of note. I will always remember the University of Western Cape with fondness because of her and the staff in the Department of Economics. Here I have in mind Dr. Philip Black, Dr Peter Jacobs, Ms Chrystal Dilgee and Dr. Derek Yu, who is also my supervisor. Dr. Yu was key to guiding the statistical backing in the report and his passion and technical abilities enriched not only the report but me, with practical skills immediately applicable in my work area.

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ABSTRACT

When the new democratic government in South Africa came to power in 1994, it inherited a legacy of inequality, unemployment and poverty. Mindful of this triple challenge the government's first socioeconomic policy framework, the White Paper on Reconstruction and Development (RDP) of 1994, stated the commitment to prioritise poverty eradication in South Africa. The Bill of Rights guarantees specific rights, referring to housing, healthcare and social security, to empower the poor.

The greatest challenge facing the South African government was to provide the institutional support and to implement appropriate policies to reduce the extent of poverty and unemployment in South Africa. The government therefore established the necessary legislature and institutions and embarked on numerous policy strategies. A fact that complicates policy intervention is that the extent of poverty is very different across provinces. Households in rural areas are in a relatively worse position than households in urban areas and rural women are in an even worse position. According to official statistics from Statistics South Africa, Limpopo and the Eastern Cape are the poorest provinces.

This study investigated the nature of government intervention towards poverty relief. Through the use of various instruments, such as social grants, the delivery of basic services and housing, the government focuses on the relief of income, non-income and asset poverty. The main aim of this study was to answer the question of whether government intervention has made any difference to the quality of life of the poor. The situation of the Eastern Cape was investigated as a case study of the larger poverty problem and focused primarily on income, non-income and asset poverty.

As is the position nationally, the majority of the poor in the Eastern Cape live in the rural areas and women and the youth are the worst affected groups. The empirical analysis shows that both income and non-income poverty has declined in Eastern Cape, particularly since 2000. The study also pointed out various instances of government failure and other specific challenges. However, despite the fact that poverty relief has been a policy priority since 1994 and despite numerous policies and programmes, the extent of poverty remains unacceptable.

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LIST OF ACRONYMS

ANC	African National Congress
AsgiSA	Accelerated Shared Growth Initiative for South Africa
CASP	Comprehensive Agriculture Support Programme
CDG	Care Dependence Grant
CMIP	Consolidated Municipal Infrastructure Programme
COSATU	Congress of South African Trade Unions
CRLR	Commission on the Restitution of Land Rights
CS	Community Survey
CSG	Child Support Grant
DG	Disability Grant
DOH	Department of Housing
DPLG	Department of Provincial and Local Government
DWA	Department of Water Affairs
ECATU	Eastern Cape Alternative Technology
ECDC	Eastern Cape Development Cooperation
ECRDA	Eastern Cape Rural Development Agency
ECSECC	Eastern Cape Socio-Economic Consultative Council
EPWP	Expanded Public Works Programme
ETU	Education and Training Unit
FBE	Free Basic Electricity
FBW	Free Basic Water
FCG	Foster Child Grant
GCIS	Government Communication and Information Service
GEAR	Growth Employment and Redistribution
GHS	General Household Survey
HSRC	Human Sciences Research Council
IDASA	Institute for Democracy in Africa
IDP	Integrated Development Plans
IDT	Independent Trust Development
IES	Income and Expenditure Survey
ISRDP	Integrated Sustainable Rural Development Programme

LED	Local Economic Development
MEC	Members of the Executive Council
MFP	Massive Food Production
MVG	Military Veterans Grant
NDA	National Development Agency
ND	No Date
OAG	Old-Age Grant
PBC	People's Budget Coalition
PGDP	Provincial Growth and Development Programme
PMG	Parliamentary Monitoring Group
PSAM	Public Service Accountability Monitor
PSC	Public Service Commission
RDP	Reconstruction and Development Programme
SACC	South African Council of Churches
SACP	South African Communist Party
SADT	South African Development Trust
SAHRC	South African Human Rights Commission
SAIRR	South African Institute of Race Relations
SALDRU	Southern Africa Labour and Development Research Unit
SASSA	South African Social Security Agency
SMG	State Maintenance Grant
SRG	Social Relief Grant
Stats SA	Statistics South Africa
UDF	Urban Development Framework
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 PROBLEM STATEMENT

When the new democratically elected government in South Africa came to power in 1994, it inherited a legacy of unemployment, inequality in the distribution of income and wealth as well as extreme poverty. This dire situation in South Africa at that time was a direct result of deliberate policy and institutional arrangements implemented by the previous administrations at different times of the evolution of the South African state (Woolard, 2002, pp.6-7).

Mindful of this triple challenge, the new government's first socioeconomic policy, the Reconstruction and Development Programme (RDP), stated as its primary objective the desire to

“... improve the standards of living and quality of life for all South Africans and to create a sustainable democracy by prioritising poverty eradication, access to land and providing basic services to people within a peaceful and stable society, characterised by equitable economic growth” (Polity, N.D)

To remediate this situation strong government intervention at institutional and policy level was required.

As soon as the new Constitution of the Republic of South Africa (No. 108 of 1996) came into effect, its preamble promised to “... improve the quality of life of all citizens and free the potential of each person ...” To achieve this, the Constitution guarantees the following rights, to: human dignity (Section 10); an environment that is not harmful (Section 24); property (Section 25(4)(a) and (b)); housing (Section 26(1) and (2)) and health care, food, water and social security (Section 27(1)(a),(b) and (c) (South Africa, 1996, p.12-18). To empower all citizens to meet their basic needs, the state is compelled to put in place enabling legislation and other supporting processes.

To comply with these Constitutional obligations, the new government embarked on numerous policy strategies and interventions. Specific interventions were embodied in national policy strategies, such as the RDP, the macroeconomic strategy of Growth Employment and Redistribution (GEAR) and the Accelerated Shared Growth Initiative for South Africa (AsgiSA). Some poverty alleviation programmes were assigned to provinces; for example the Provincial Growth and Development Programmes (PGDP), as well as the delivery of basic

services including housing, education, health care, social welfare, electricity and energy, water, sanitation, refuse and waste removal. The government over the years also increased the proportion of funds allocated to socio-economic programmes to alleviate the poverty situation, such as the Expanded Public Works Programme (EPWP). At local government level, the Local Economic Development (LED) and Consolidated Municipal Infrastructure Programme (CMIP) are supposed to be flagship programmes to drive economic growth and development. These programmes were expected to alleviate poverty through job creation and skills development as a spin off from an infrastructure rollout programme funded through the CMIP programme.

In his State of the Nation Address (2003), former President Thabo Mbeki also highlighted the commitment of his administration to strive towards ending poverty, joblessness and inequality:

“We have taken the necessary decisions to end the poverty and dehumanisation that continue to afflict millions of our people, who cannot lead lives of dignity because they have no jobs, no houses, no land, no capital and no means to prevent them from falling ill from avoidable diseases. We know this as a matter of fact that the struggle to eradicate that poverty and underdevelopment in our own country is fundamental to the achievement of our own national goal to build a caring and people-centered society; towards a society free of poverty and underdevelopment”. (South Africa. Office of the Presidency. 2003).

He made it clear that the government’s goal of ending poverty entails more than just spending money more efficiently; rather it is about empowering people by redistributing wealth and growing the economy to create jobs. The Public Service Commission,¹ citing The People’s Budget Coalition (PBC)² (2005) claimed: “...only these types of programmes can reverse apartheid’s legacy of impoverishment” (South Africa. Public Service Commission, 2007, p.63).

¹ “The Public Service Commission is an independent body created by the Constitution, 1996, to enhance excellence in governance within the Public Service” (Public Service Commission, 2007).

² “The PBC is a civil society coalition comprising the Congress of South African Trade Unions (COSATU), the South African Council of Churches (SACC) and the South African Non-Governmental Organisation Coalition (SANGOCO). The PBC has for many years been campaigning for the adoption of fiscal and monetary policies that will make a decisive intervention in the battle against unemployment, poverty and inequalities and ensure meaningful redistribution of wealth to the poor” (Peoples Budget Coalition, 2011, p.2).

During his 2006 Budget Speech the Minister of Finance, Mr. Trevor Manuel, indicated that government has over the years doubled the share of public resources allocated towards social spending and towards expanding education and healthcare, public infrastructure, low-cost houses and providing free basic services such as water and electricity. Government had also increased income support to vulnerable households through social security and social assistance grants (South Africa. National Treasury. 2006, pp.4-5).

The government has over time since 1994 and through different administrations, been consistent with poverty eradication as a priority focus. In his 2012 State of the Nation address President Jacob Zuma confirmed the commitment of the national cabinet “to get rid of the problems of unemployment, poverty and inequality in the country” (South Africa. Office of the Presidency, 2012). However, addressing the ANC Policy Conference on 26 June 2012 in Johannesburg, President Zuma acknowledged the challenges the government has on winning the war against unemployment, poverty and inequality 18 years from coming into power (ANC, 2012).

The Constitution also laid down key values to govern public administration towards achieving the constitutional promise of improving the quality of life of all its citizens. Sections 195 and 196 of the Constitution mandate the Public Service Commission to focus on the primary government objective of reducing poverty. It commands the public administration to be both development-oriented and people-centered (Public Service Commission, 2007, pp.2, 9, 10).

But has the poverty situation in South African improved since 1994? Even the GEAR-strategy that envisaged income redistribution through economic growth via a trickle-down mechanism to job creation did not succeed in creating the jobs that would have improved the poverty situation. On the contrary, the South African Catholic Bishops’ Conference (2006) claimed that the final outcome of GEAR was an increase in levels of unemployment and poverty and that the economy “... thus failed to meet the needs of the poor and unemployed: ‘a better life for all’ is still a dream for many poor people”. AsgiSA was introduced in 2006 to reduce poverty through improving employment creation by the private sector through promoting small business and encouraging investment. Job creation is crucial to alleviate poverty as unemployment is the main cause of poverty in South Africa. According to Tregenna, and Tsela (2008, p.12) AsgiSA had not made any noticeable difference to poverty

as reflected in the 2007 AsgiSA Annual Report³. Leibbrandt *et al.* (2010) confirmed this observation by noting that poverty in South Africa's increased between 1993 and 2008.

A fact that complicates policy intervention in South Africa is that the poverty situation is very different across provinces and some provinces are much poorer than others. Households in rural areas are in a relatively worse position than households in urban areas and rural women are in an even worse position. According to official statistics, the Limpopo and the Eastern Cape provinces are the poorest in the country (HSRC, 2004, p.1). The author feels very strongly about the poverty situation in the Eastern Cape as he was born in there, worked as a development planner in the province for many years and currently employed by the Provincial Treasury of the Eastern Cape. Given his position in the provincial treasury, a study on interventions by the South African government to alleviate poverty, with a specific focus on the poverty situation of the Eastern Cape in a dynamic context, is particularly relevant.

The main aim of this study is to determine whether the poverty situation in South Africa has improved since 1994. It focuses on the nature of government interventions to alleviate poverty and specifically investigates the poverty situation in the Eastern Cape as a case study of the bigger poverty situation in South Africa.

1.2 RESEARCH QUESTION

What is the nature of government's interventions to alleviate poverty and have these interventions made any difference to the poverty situation that the democratic government inherited in 1994?

1.3 OBJECTIVES

To answer the research question, the study has the following specific objectives:

- To present a theoretical framework against which to appraise the role of government to alleviate poverty as well as of the theory behind the assignment of functions to different levels of government;
- To provide a descriptive overview of policies, institutions and programmes of the South African government directed at the alleviation of poverty;
- To present a dynamic profile of the position of poor households in the Province of the Eastern Cape; and

³ In 2009 the Zuma administration discontinued AsgiSA in favour of a new macroeconomic policy – the New Growth Path.

- To investigate whether government's intervention strategies have made a difference to the income, non-income and asset poverty in the province;

1.4 METHODOLOGY AND DATA

The nature of the methodology is descriptive, investigative and interpretative. The intention is not to prove any hypotheses, but rather to interpret the data to facilitate deriving meaningful conclusions that may lead to further questions to be researched (Cooper, Potter & Dupagne, 1994, p.55). It is a qualitative study and according to Cresswell (2003, p.182) qualitative research is fundamentally interpretative and concerns itself with the study of phenomena. In this case the phenomenon in question is the poverty situation in South Africa and in particular in the province of the Eastern Cape.

A literature review covers the theoretical and empirical literature. A case study is then presented on the poverty situation in the Eastern Cape. The study used the following data sources to present the descriptive statistics: Census 1991, 2001 and 2011; Community Survey for 2007 and 2011; General Household Surveys (GHS) for 2002-2008 and 2010-2012 and Income and Expenditure Surveys for 1995, 2000, 2005/06 and 2010/2011.

1.5 LIMITATIONS TO THE STUDY

As Census 2011 data has still not yet been released at the time of finalising the study, the data from GHS 2011 and 2012 have been used in its place. General Household Surveys 2011 and 2012 data show most recent results on income and non-income poverty in Eastern Cape, to complement the Census 1996/2001 and Community Survey 2007 findings.

The former homelands were excluded in pre-1994 surveys and censuses. Data management is a serious problem in the Eastern Cape Province in general. More specifically the critical departments in the study such Rural Development and Land Reform, Human Settlements, Social Development and Special Programmes and Local Government and Traditional Affairs were not well organised and could not provide consistent data and information. They seemed to rely on the national departments and institutions like Statistics South Africa (Stats SA), South African Social Security Agency (SASSA), the National and Provincial Treasuries, and independent research organisations and universities. Even in these national departments and institutions available data was not disintegrated into provinces, for instance in the case of the national Department of Rural Development and Land Reform. The urban/rural area variable is only available in GHS 2002-2004 and 2010-2012.

The provinces have the same data problems with the Department of Human Settlements which is still without confirmed data on housing needs and backlogs, including houses needing rectification due to poor workmanship and supervision. The Provincial Department of Rural Development and Agricultural Reform also does not keep up-to-date monitoring information on its programmes, including the Massive Food Production Programme (MFP), the Comprehensive Agriculture Support Programme (CASP), Siyazondla, Letsema etc.

1.6 DELIMITATIONS

The study limits itself to the period on the new government starting from 1994 to 2012. The study also does not focus on the full scope of government programmes and policies. For example the provision of education and health care are intentionally left out in the study to narrow down the scope.

1.7 ORGANISATION OF THE STUDY

Chapter Two presents a descriptive overview of the theoretical and empirical literature. The first part explains the rationale for government intervention to alleviate poverty. It defines the allocation, distribution and stabilization functions of government and also discusses the assignment of these functions in a fiscal federal state. The second part gives a brief overview of the poverty situation in 1994 and then focuses on the interventionist strategy of the South African government to alleviate poverty in terms of the different institutions, programmes and policy instruments that the government embarked on since 1994.

Chapter Three focuses on the poverty situation in the province of the Eastern Cape as a case study of the national poverty situation in South Africa. It presents some demographics information and then a profile of the poor in the province. Thereafter it investigates government's intervention through the use of social grants to alleviate income poverty, the delivery of electricity, water and sanitation to alleviate non-income poverty and the delivery of housing to address asset poverty.

Chapter Four concludes the study.

CHAPTER TWO

THE ROLE OF GOVERNMENT TO ALLEVIATE POVERTY

2.1 INTRODUCTION

This chapter presents the theoretical framework for the study. It is structured as follows: Section 2.2 gives a descriptive overview of the theoretical rationale for government intervention in terms of the various market failures. It also explains the meaning of the concepts of allocation and technical efficiency and the phenomenon of government failure that affects the efficiency of government intervention. Section 2.3 focuses on the extent of poverty in South Africa at the dawn of the new democracy. Section 2.4 explains the new government's institutional and policy framework towards addressing the acute state of poverty in South Africa, while Section 2.5 discusses the main instruments used by government to achieve its goal of poverty alleviation.

2.2 THEORETICAL FRAMEWORK

The primary role of government in a market economy is the provision of a legal framework within which all economic transactions take place. However, in today's mixed economies, its role goes beyond just the mere provision of a legal framework. The rationale for public intervention to alleviate poverty flows directly from government's role to correct for the different forms of market failure. The specific role to alleviate poverty relates to the conventional functions of allocation, distribution and stabilisation.

The following paragraphs (sections, 2.2.1 to 2.2.4, pp. 7-16) explain the theoretical rationale for these functions as well as the assignment of these functions to different levels of government in a federal state. Black *et al.* (2008, p.290), explain the assignment problem as "concerned with how spending and taxation responsibilities should be distributed among national and sub-national governments."

2.2.1 The allocation function

2.2.1.1 Definition

The allocation function of government relates to the existence of various types of public goods and externalities that are discussed in the following paragraphs.

Pure public goods: The nature of some public goods makes it difficult for the market to supply them in an efficient manner. The provision of national security (defence) by national

government and of street lights by local governments are classic examples of national and local pure public goods and services which cannot be efficiently supplied by the market. Pure public goods and services have the characteristics of non-excludability and non-rivalry in consumption and they will therefore not be efficiently supplied by the private market (Black *et al.*, 2011). The nature of such goods and services is such that they demonstrate properties such as that they simultaneously provide benefits to more than one individual and are therefore jointly consumed. The problem with the provision of pure public goods is therefore that "...they cannot be divided into saleable units – and are therefore non-rival in consumption." Black *et al.* (2011, p.37) Two important implications arise from this: first, the marginal cost of providing the good or service to an additional person is zero, and second, to exclude anybody from the good or service would be allocatively inefficient. The non-excludability also implies that it is not possible to assign individual property rights in the case of pure public goods (Black *et al.* 2011).

Mixed goods: these goods and services reveal characteristics of both private and public goods and also present an allocation problem for the market. According to Black *et al.* (2011) they represent a "grey area" since it can be debated whether they should be provided by the private or by the public sector. Consumers of mixed goods, as in the case of pure public goods, will not reveal their preference for such goods. These goods could be non-excludable, but have partial rival traits, i.e. permitting an additional user still does not prevent previous users from using it, but it does reduce the benefits to the previous users. An example can be a busy street in a city centre. They can also be non-rival, but excludable, such as the N1 highway between Vryburg and Kuruman. It would be possible to install a tollgate in order to exclude, but this would not be feasible as it would not pay. Generally, mixed goods and services are provided together by the private and public sectors, such as in the case of education and health services (Black *et al.* 2011, p.36).

Merit goods: these are goods that are regarded as so meritorious that the government decides to provide them through the budget. Rosen (2002, p.46) describes merit goods as "...commodities that ought to be provided even if the members of society do not demand them". An example is a compulsory immunisation programme for babies and young children. People do not really demand them, but government regards this service as so meritorious that it is compulsory to have the children follow the programme.

Externalities: Another manifestation of incomplete markets is the presence of external effects, which can either be positive or negative (Black *et al.* 2005, p.36). In the case of positive externalities, where the marginal social benefit exceeds the marginal private benefit, such as with the provision of low-cost housing or primary education, government needs to subsidise in order to internalise the positive external effect. It therefore aims to internalise the inefficient allocation of resource values by the private market. In the case of negative external effects, such as the pollution of clean water etc., government often intervenes with specific regulation (Musgrave & Musgrave, 1984). In both these cases government intervention enhances the allocation efficiency of the market (Brown & Jackson, 1994). Another appropriate example of government subsidising of public transport fares is made by Bailey (2002, p.101) on the basis that “increased use of buses and trains reduces the number of vehicles on the roads, therefore reducing congestion and so providing a positive externality”.

2.2.1.2 Assignment

According to economic theory, the allocation function is best done by sub-national government rather than by central government. Different areas would have different demands for many public goods. The welfare gains of citizens would be improved through decentralisation as citizens in different areas would choose the combination of public goods and taxes that best fit their preferences. Smoke (2001, p.6) writes, “... decentralisation is desirable not only because of preference differentiation, but also because expenditure decisions are tied more closely to real resource costs in smaller jurisdictions”. There are several motivations given within the fiscal federalism literature for the allocation function at sub national level. Each province could be innovative and provinces could compete resulting in efficient gains. Political accountability would improve. Diseconomies of scale (e.g. increases in the unit cost of provision due to perceived growth in demand) and bureaucratic inefficiencies could be minimised.

Boadway and Wildasin (1984, p.500) argue that a decentralised allocation function

“ ... allows different localities to provide different quantities of various public goods according to their different collective tastes. Therefore it allows matching of the provision of local public goods with a level of government whose jurisdiction includes only those who benefit from the particular good”.

Another compelling argument is provided by Dabla-Norris (2006, p.101) who claimed that: “...devolving service implementation to lower levels of government ... results in improved

efficiency in the delivery of public services and hence a more efficient allocation of resources in the economy”. However as much as the government allocation function is best executed at the provincial level the benefits may not be as obvious in the case of developing countries as they may not have the necessary institutional support. In such cases delegation of this role to provinces may be counter-productive and have unintended consequences, like inefficiency and corruption (Smoke, 2000, p.6).

2.2.2 Distribution

2.2.2.1 Definition

The distribution function of government is the result of failure of the market to bring about a more equal distribution of income and wealth. Black *et al.* (2005, p.24) make the point that “...the market outcomes tend to exhibit considerable inequality in the distribution of income”. When the market is not able to provide a fair distribution of income and wealth, the government should get involved in order to get it in line with a distribution that can be considered as fair and just (Brown & Jackson, 1994). Such a distribution is defined by Visser and Erasmus (2002, p.49) as the “...distribution of resources on more socially acceptable and equitable terms”. The existence of the distribution function of government shows that there is no society that regards market-determined distribution as fair or just. This is particularly relevant in the South African context, given the extremely skewed distribution of income and wealth.

Black *et al.* (2008, pp 58-60) claim that Nozick’s entitlement theory, and specifically the principle of ‘rectification of injustice’, provides a particularly strong argument for redistribution in the South African context.⁴ They give three reasons why redistribution in a market economy would enhance economic efficiency: the insurance motive, the externality argument and altruistic people. With regards to the insurance motive some individuals may view their tax payment as relatively economical method of insuring themselves against possible future unemployment or poor health. Crime, violence and social instability may impose a negative external impact on the lives of the rich. The rich may be willing to contribute to taxes so that government can intervene to internalise the negative external impact on the community. In the altruistic situation some individuals may feel fulfilled by a

⁴ “Nozick’s principles presumably formed one of the cornerstones of the investigation undertaken by the Truth and Reconciliation Commission (TRC) in South Africa (Black, *et al.* 2008:59).

policy that taxes them and redistributes in favour of others because their welfare depends not only on their own income, but also on the welfare of others (Black *et al.* 2008, p.60).

2.2.2.2 Assignment

Rosen (2000, p.11), places the principal responsibility of redistribution with central government and he puts forward the following arguments:

- Central government is better equipped to redistribute resources to poor sub-national governments.
- If production factors are mobile it would be problematic if different local governments had different redistributive programmes.
- The tax base of local government generally does not include income taxes which can be used in a progressive manner for redistribution.

Rosen (2001, p.6) writes that even though there is a general challenge to the view of decentralising distribution, it is generally accepted that sub-national governments are characteristically more restricted than central governments in varying the distribution of income, and they also cannot do so across jurisdictions. Poor people from a neighbouring province could be attracted to the better-off neighbouring province thereby overburdening it. The province that places a priority on redistributions might also lose business and high income earners to other provinces.

The fact that central government has the resources of compulsory taxation, puts it in a better position to redistribute incomes on a large scale. Therefore national government is better suited to pursue and follow a comprehensive redistribution policy (Smoke, 2001, p.5).

2.2.3 Stabilisation

2.2.3.1 Definition

Stabilization refers to governments' macroeconomic objectives of providing amongst others, an economy that grows at an acceptable rate, adequate employment opportunities and acceptable balance of payments (Black *et al.* 2005, p.302). Government can provide necessary conditions to stabilize the system instigating money supply targets, adjusting tariffs or exchange rates, and charging public expenditures, taxes and interest rates (Musgrave & Musgrave, 1984). The government also coordinates and regulates the economic decisions

made by various private sector groups, in an attempt to facilitate conditions that would create an environment conducive for sustained long-term economic growth (Brown & Jackson, 1994).

Strickland (1980, p.48) referred to the need by government to execute its role through attending to the effects of the market failure, such as in the case of unemployment which will not be solved by the private market. As part of the legislative framework government uses both monetary and fiscal provisions to bring about balance in its governance and constitutional obligations. The fiscal mechanism should bring more stable economic activity, by reducing cyclical unemployment and restraining inflation and protecting the domestic economy from swings in export prices and other externalities (Roemer & Stern, 1981, pp.200-218).

2.2.3.2 Assignment

Jackson (1993, p.159) claims that there is a general consensus that macroeconomic policy should be assigned to central government. For example, sub-national government cannot and should not conduct monetary policy. Smoke (2001, p.5) motivates this by pointing to the obvious problem that could arise if the sub-national government was to have an independent control of its own money supplies. In such a case different provinces may experience different inflation rates. Black *et al.* (2008, p.290) give the following example: if a single sub-national government were to pursue an expansionary fiscal policy, much of the increase in demand would be lost to outside jurisdictions due to the openness of such economies. It would also have serious implications for the macroeconomic stability of a country should policy makers in different provinces have different targets for inflation.

2.2.4 Efficiency of public intervention

Economic efficiency relates to both allocative efficiency and technical efficiency (or X-efficiency (Black *et al.* 2008, p.15). Efficiency of government intervention is thus a prerequisite for the successful attainment of targets to alleviate poverty and constituency expectations.

2.2.4.1 Allocative efficiency

This relates to a situation where a country's limited resources are allocated according to the wishes of its consumers. Black *et al.* (2008, p.16) define an allocatively efficient economy as "[one that] produces an "optimal mix" of commodities". Allocative efficiency involves an

interaction between the consumption activities of individual consumers and the production activities of producers. Barros (2007, p.47), using a tax office as an example, explains allocative efficiency “as a comparative measure of how well it adopts prices according to their marginal productivity. Allocative efficiency [also] refers to the ability of a tax office to use the inputs and outputs in optimal proportions, given their respective prices”.

Resources should only be used where they will make the most effective output in promoting specific goals, such as with the delivery of basic services. Fredriksen (2008, p.4) outlines what needs to happen to achieve allocative efficiency: (1) define the goals; (2) for the goal(s) chosen, determine, for example, how fiscal resources are going to be allocated to sectors, and for which purpose within sectors, to yield maximum impact in realizing set goals; and (3) check the appropriateness of the fiscal resources to attain the most desired outcomes.

2.2.4.2 Technical efficiency

Technical efficiency, or X-efficiency, “examines whether a firm is producing on the production frontier” (Ariyaratne *et al.* 2000, p.199). Fredriksen (2008, p.3) explains technical efficiency as the efficacy by which a set of inputs is used to produce outputs. The concept does not take into account whether the inputs used are the best to produce the outputs. X-efficiency alone is an inadequate measure of economic productivity since the technically efficient production of goods by itself does not necessarily reflect the needs of consumers. It is pointless to produce goods efficiently if people would rather consume some other combinations of goods (Black *et al.* 2008, p.20-21).

In explaining, Barros (2007, p.46) again uses an example of a tax office and defines technical efficiency of a tax office as “a comparative measure of how well it processes inputs to achieve its outputs, as compared to its maximum potential for doing so, as represented by its production possibility frontier”.

Technical efficiency is caused by certain managerial reasons and these relate to the ability of the office to manipulate the incentive received i.e. a sub-structural inflexibility of the institution relating to the type of ownership. That may result in a principal-agent relationship defined by Barros (2007, p.46), referring to Jensen and Meckling (1976), as concerning the difficulty of controlling those charged with managing to act on behalf of the government (the owner). He also claims that the permanent job status enjoyed by public officials could result in principal-agent problems: structural labour market inflexibilities could prompt collective

action problems, wherein employees could ‘free-ride’ on performance improvement endeavours instituted by management (Barros, 2007, p.49, citing Olson, 1965, p.3).

Technical efficiency is also related to certain organisational factors. Barros and Peypoch (2007, p.13) referring to Leibenstein (1966), explain that

“The X-efficiency is related to the fact that the production function is not completely specified or known, contracts for labour are incomplete and not all inputs are marketed on equal terms to all buyers. In this situation, the managers may be unable to adopt the correct strategy, since they do not know what it should be”.

There is always skewed access to information across offices on activities, and markets lack transparency resulting in less privileged offices failing to achieve the same level of efficiency because of not having the necessary information. Lack of incentives and the time that is taken to introduce new technologies, skills etc. also negatively impact technical efficiency (Barros, 2007, pp.49-50).

2.2.4.3 Constraints on efficient government intervention

Black *et al.* (2008, p.26) argue that “like market failure, there is nothing sinister or extraordinary about government failure . . . it is a perfectly natural outcome of the way in which politicians and government officials behave”. Mohr and Siebrits (2006, p.38) claim that government failure could be due to many reasons or could be purely through outright corruption by politicians. Black *et al.* (2008, p.76) explain that government failure is a result of the rational behaviour of politicians, bureaucrats and rent-seeking interest groups. These instances of government failure have serious implications for efficient government intervention to alleviate poverty. The nature of their rational behaviour is explained in the following paragraphs.

(a) Politicians

The politicians represent the taxpayers; they are the key role-players in any government and are charged with making very important decision about the direction the country takes. Politicians often make selfish decisions that are not necessarily of national interest. They may manipulate government resources in a way that supports them to maximise votes. This could be by formulating or endorsing populist policies resulting in more votes for themselves or their political parties, as in the case of South Africa (Black *et al.* 2008, p.26). Drometer

(2006, p.1) argues that politics becomes short-sighted and populist whenever elections are pending.

Voters, ignorantly, tend to assume that policy makers are wiser than them and would provide policies which improve the wellbeing of voters. This gives the policy makers the ability to provide policies that are not demanded by voter. Such polices tend to serve only the interests of the politicians (Marlow, 1995, p.204).

(b) Bureaucrats

Bureaucrats are public servants and their interests are not different from those of the private sector in maximising profits. As agents of the tax payers, bureaucrats are responsible for the supply of public goods. Bureaucratic failure is therefore an example of the principal-agent problem. Because their salaries and packages are intrinsically linked to their budgets and therefore ~~they~~ have a greater incentive to increase spending than taxpayers have to reduce taxes (Black *et al.* 2008, p.78). Similar to their counterparts in the private sector, bureaucrats would maximise their departmental budgets to increase their empires.

This behaviour is seen ~~by~~ as detrimental to efficiency of government; as he puts it “bureaus expand beyond socially efficient levels” (Marlow 1995, p.206). Rosen (2002, p.121) concludes that bureaucrats are not different from politicians as they exploit democracy by supporting the most preferred policies to maximise the size of their departmental budgets. It can therefore be expected that spending on various types of public goods and services may exceed government budget allocations.

(c) Rent-seekers

Black *et al.* (2008, p.79) define rent-seeking as “reward accruing to resources owners over and above the payment that the resources would receive in any alternative employment”. It is like a monopoly profit and can’t be out competed. Rent-seeking is a product of government-protected monopoly power and can result in what Black *et al.* (2008, p.80) term ‘social waste’. Rosen (2002, p.125) defines it as “using government to obtain higher than normal returns [or] “Rents”.

Rosen (2002, p.125) argues that powerful individuals or groups are able to manipulate the political system to redistribute income to themselves through rent-seeking. Groups and associations, like farmer-and labour unions, and other national groups, are capable of sending powerful signals to policy makers. Marlow (1995, p.207-208) makes the point that ~~the~~-how

the demands of special groups get filtered to those of voters by policy makers is an important matter.

Black *et al.* (2011, p.98) argue that a necessary condition to minimize government failure to ensure efficiency of government intervention is "... an institutional system that includes a judiciary capable of applying the rule of law to both public and private citizens." This is very important as the private sector often encourages government failure.

2.3 THE EXTENT OF POVERTY IN SOUTH AFRICA: 1994

Poverty has many dimensions. Woolard (2002, p.2) explains that poverty can be related to loss of employment, hunger, exploitation, and lack of access to clean water, sanitation, health-care or schools. Poverty can also be about being defenceless in the face of disaster and destitution. It is closely linked to unemployment as unemployment is a major cause of poverty in South Africa.

The South African government also have this broader view of poverty. This is evident from the Public Service Commission's Report (2009, p.2) which claims that in the past twenty years focus was put on peoples' experience of poverty, which is more than just lack of income or consumption (South Africa. Public Service Commission, 2009, p.2).

The following sub-sections present a brief overview of the extent of income, non-income and asset poverty that the new government inherited.

2.3.1 Income poverty

May (2008, p.27) defines income poverty as the "inability to attain an absolute minimum standard of living. This is an absolute, quantitative, indicator-based on a minimum income line." Income poverty refers to a level of income below which a household would be categorised as poor. Two income measures used are US\$1 or US\$2 per day. Below these levels a household may not have enough even to meet basic needs like food, clothes and medicine. Rural and urban poor households "... experience income poverty severely as money is necessary for almost all basic needs, like procuring food and shelter" (Du Toit, 2009, p.27).

Two different poverty lines are used to measure income poverty, i.e. the headcount ratio and the poverty gap ratio. A poverty line is a measure of income below which poverty exists. Those below it are exposed to income poverty. A headcount poverty ratio is a proportion of

the people earning below the poverty line (Saunders, 2003, p.2). The total poverty gap estimates the income required to raise all incomes of the poor to the poverty line, thereby reducing the poverty rate to zero (Saunders, 2003, p.2-3).

In 1995 the Office of the Presidency, referring the United Nations Development Plan (2003, p.41), noted that 9.4% of people in South Africa lived below US\$1 per day. When using the US\$2 a day, 24.2% of the South African population lived below the World Bank poverty line. The Office of the Presidency (N.D, p.73-74) claimed that using a national poverty line of R354 per month per adult, based on 1995 values, then 51.1% of people lived in poverty in 1995. In rural and urban areas the poverty headcount ratio during 1993 was 0.77 and 0.34 respectively while the poverty share was 0.70 and 0.30 respectively, at a poverty line of R515 per capita per month (Leibbrandt *et al.*, 2010, p.37).

2.3.2 Non-income poverty

This dimension of poverty relates to access to water, electricity and sanitation (Klasen, Harttgen & Grosse, 2005). Du Toit (2009, p.27) provides the following description of non-income poverty: that it

“ ... happens when people may have a little bit of money but they do not have access to good schooling or safe water. People living with non-income poverty are likely to have stunted growth and to die young. It is also unlikely that they participate in making the decisions that affect their lives. Secondly, poverty is often approached as the lack of resources with which to obtain a socially acceptable quality of life.”

The following sub-sections explain the extent of non-income poverty in South Africa at that time with reference to access to water, sanitation and electricity.

2.3.2.1 Access to water

The Department of Water Affairs and Forestry (1994, p.1) argues that “the lack of basic services such as water supply and sanitation is a key symptom of poverty and underdevelopment”. Access to water in South Africa has always been racially driven. The racially motivated provision resulted in approximately 15.2 million citizens (12 million of whom resided in rural areas) being without necessary access to portable water. The Department of Water Affairs and Forestry (1994, p.3-4) claimed that out of the 9 000 South African households surveyed, approximately 95% of Coloured, Asian/Indian and White

homes were connected to some form of piped water, against about 43% of Black African households. This happened even though Africans were the majority population in South Africa (South Africa. Department of Water Affairs and Forestry, 1994, p.3-4).

Using Census 1996 data, Earle, Goldin and Phemo (2005, p.5) arrived at a range of between 12 – 14 million people without access to piped clean water. The Black community was also provided with lowest standards of water. Of the total African households only 20% reported having a water tap inside the home, in comparison to approximately 100% of White and Indian households (Amisi & Nojiyeza, 2008, p.7). Simelane (N.D., p.32) puts the number of poor African households with access to safe piped water at 60% and emphasises the legacy of inequality in provision that existed between the poor and non-poor (with 99% access) in 1996.

Table 2.1: Percentage households (nationally) with access to piped water inside dwelling/yard, 1996

ACCESS TO PIPED WATER	
Piped water inside dwelling/yard	60.8%
Piped water outside dwelling/yard	19.6%
No access to Piped water	19.7%

Source: Stats SA 2012 and own calculation

Table 2.1 indicates that approximately 19.7% of households in South Africa were without access to piped water and about 19.6% used piped water outside the dwelling/yard (these two categories are made up of both rural and urban African poor.) The households with access to piped water outside dwelling/yard refer mainly to the urban areas where a group of households were sharing a communal tap.

2.3.2.2 Access to sanitation

ETU (N.D) estimates that in 1994 about 21 million people did not have access to even a rudimentary level of sanitation. According to the 1996 Census data, in 1990 71% of the South African population had access to sanitation. Earle, Goldin and Phemo (2005, p.5) also arrived at a figure of about 21 million people without formal sanitation, out of a total population of 41 million. By 1996 Simelane (N.D, p.33) paints a picture where “one in every five poor households (21, 5%) did not have a toilet at all.”

The Department of Water Affairs (South Africa, Department of Water Affairs, 2012, p.7) states that soon after the new government came into office in 1994 it called the bucket system

“an unacceptable level of sanitation” and indicated a 52% backlog to providing access to formal sanitation. In the areas predominantly populated by the African population, public facilities like clinics and schools also lacked proper sanitation, with 15% of clinics and 11.7% of schools affected.

2.3.2.3 Access to electricity

Stats SA (2000, p.90) indicates that only about 58% of the population was connected to electricity during 1994. The 1996 Census indicated that “only one in four non-urban Black South African households was electrified, as opposed to 97% of non-urban White households”. In addition, about 19 000 Black schools (86% of schools) and about 4 000 clinics did not have electricity.

Stats SA provides the following picture of the percentage distribution of households by type of energy used in 1996:

Table 2.2: Percentage distribution of households (national) by type of energy used, 1996

ENERGY SOURCE	LIGHTING	COOKING
Electricity	58.2 %	47.5%
Gas	0.4%	3.2%
Paraffin	12.7%	21.6%
Solar	28.7%	23.0%
Other	0.0%	3.6%

Source: Stats SA 2012 and own calculation

During 1996 about 58.2% households in South Africa used electricity for lighting against approximately 47.5% who used it for cooking.

2.3.3 Asset poverty

Nam, Huang, and Sherraden (2008) define asset poverty as “...a lack of assets that traps a family in substandard economic and social conditions, or assets below the threshold at which a virtuous cycle of asset accumulation and positive effects can begin”. This section presents some information on ownership of housing and land as indication of asset poverty.

2.3.3.1 Housing

South Africa comes from a past with a multiplicity of different housing policies and approaches for various racial groups. The impact of the segregation laws can be better demonstrated by paying particular attention to housing and the policies that gave effect to it.

Under apartheid, housing policy and practice had a direct spatial intent. For an example, during the apartheid period, the government had 14 housing sector departments which had to be combined by the new administration. Black South Africans were tenants of the state, be it in townships, rural areas or even homelands as property rights were still with the state (Nell & Rust, 1993).

During the apartheid era, segregation was sanctioned by law and Blacks prevented from living in areas classified as White areas. Instance where government provided houses for Blacks were very limited and security of tenure defined by 99 year lease contracts signed with Bantu Administration. The number of houses built for Blacks by government around 1993 were approximately 50 000. The majority (about 10 million people) of the Black citizens resided in informal settlements and backyards in townships, characterized by extreme poverty, lack of social amenities and situated far away from white settlements and places of work (Knight 2001).

When the multi-party government came in 1994, the ratio of home ownership was as follows, “only 1 formal brick house for every 43 Africans compared to one for every 3.5 whites” (Knight 2001). The situation was also very different between rural and urban areas. The 1994 housing backlog in urban areas alone were estimated at around 1.3 million units. According to the Census (1996) about 35.6 % people occupied informal housing.

2.3.3.2 Land tenure

In terms of the 1913 Land Act, the White population owned about 87% of the land leaving Blacks with only 13%.

By the time the new government came into power nothing had changed. Weidman (2004, p.11) writes that by 1991 almost 80% of South African citizens were forbidden to own or lease land in more than 80% of the country. About 83% of the land was owned by approximately 14% of the population (Whites). The government and its entities owned approximately 16% of the remaining land. By 1994, 80% of the land still belonged to Whites. Of the 80% under White ownership, approximately 85% was agricultural land owned by 50 000 White farmers. This made South Africa’s land distribution extremely disproportionate, even in comparison with some of the most unequal societies both internationally and/or historically (Weidman 2004, p.7).

Weidman (2004, p.13) provides the following picture of the impact of forced removals:

“Between 1960 and 1982, approximately 1 200 000 people were forcibly removed from farms, a further 600 000 through black spot and Bantustan consolidation policies, another 700 000 through urban relocation, some 900 000 under the Group Areas Act and 150 000 for other reasons.”

(Weidman 2004, p.11)

And rural poverty reached endemic proportions.

Land distribution and ownership remains highly skewed along the old apartheid structures nearly twenty years into democracy.

2.4 INSTITUTIONAL AND POLICY FRAMEWORK TOWARDS POVERTY ALLEVIATION

This section provides a descriptive overview of the South African government’s institutional and policy framework that is relevant to its role in alleviating poverty.

2.4.1 Institutional framework

This section provides an overview of the institutions set up by the South African government for legitimacy, governance and guidance towards poverty eradication.

2.4.1.1 The Constitution of the Republic of South Africa (1996)

The Constitution is the supreme law of the land (South Africa. 1996). It gives the National Cabinet the responsibility to set and oversee its implementation and monitoring. Chapter Two of the Constitution contains the Bill of Rights, which guarantees specific rights towards empowering the poor. These include rights to environment, property, housing, health care, water, and social security. It is regarded as the cornerstone of the new democracy, as it preserves the rights of all the people of South Africa and asserts the democratic values of human dignity, equality and freedom. The Bill of Rights protects the basic human rights of all citizens, including non-citizens. Chapter Two, also encompasses economic and social rights, which are listed in Sections 7 to 39. These Constitutional rights are undeniable, permanent and therefore enforceable through the Courts of Law (with the Constitutional Court being the highest court in the land).

The Constitution also provides the government with the foundation on which to develop policies and the legislative framework to give effect to these rights. However these rights can only be provided to the extent to which budget is available to the government. Put differently, the Constitution states that the government “... must take reasonable legislative and other

measures, within its available resources, to achieve the progressive realization of each of these rights” (Seekings, 2007, p.3). Post-apartheid South Africa has integrated poverty alleviation as a central pillar of its development policy and, broadly speaking, poverty eradication is a constitutional matter in South Africa (Leibbrandt *et al.*, 2010, p.106).

2.4.1.2 National, provincial and local tiers of government

The South African Constitution assigns various responsibilities to different spheres of Government. Each sphere also has a certain level of autonomy assigned to it by the Constitution. Some functions are exclusive and assigned only to a specific sphere whilst some are concurrent.

(a) National government

This level of government is responsible for making laws and policies geared towards poverty eradication (e.g. policy and guidelines in respect of free basic electricity). An example is a case where national government removed Value Added Tax (VAT) from paraffin to make cheap alternative energy for poverty relief available to poor people not yet connected to the electricity system. One of its key responsibilities is revenue collection from taxes which is the main source for funding various government functions and programmes, including poverty eradication. The redistributive and stabilisation functions are assigned to national government, which is in accordance with the theory (see Section 2.2.2 above). To carry out its function the national government uses various institutions, including certain departments, that only operate at a national level, including the National Treasury, Social Development, Public Works, Water Affairs and Forestry, Minerals and Energy, Home Affairs, Water Affairs, Rural Development and Land Reform, Public Service and Administration, etc. (ETU, N.D).

These national departments have functions that are exclusively national competences with direct impact on the local government sphere and service delivery. For example, the department of Rural Development and Land Reform is responsible for land reform which can make a difference to asset poverty; the Department of Minerals and Energy is responsible for providing access to electricity for millions at the local government level; Social Development is responsible for providing social grants through a national agency, the South Africa Social Security Agency (SASSA).

National government also uses public entities and non-governmental organisations (NGOs) to fulfil its mandates. The following institutions, amongst others, provide support to provincial

and local government spheres in the poverty eradication plans: National Development Agency (NDA) and SASSA, under the Department of Social Development; Independent Development Trust (IDT) under the Department of Public Works; ESKOM under the Department of Minerals and Energy; and the Development Bank of South Africa (DBSA) under the Department of Trade and Industry.

(b) Provincial government

The provincial sphere has specific rights and duties given to it by the Constitution, Chapter 6 Section (104) (South Africa, 1996). Whilst each province has the right to develop its own Constitution, such a Provincial Constitution cannot be contrary to the National Constitution. The provinces have powers to approve provincial laws and the provincial budget. For example in the implementation of the free basic services and indigent policies, the provincial government is tasked with providing financial and human resources and technical support to local government, to ensure compliance with national policy. The provincial sphere is also charged with developing enabling legislation, co-ordinating regional planning and monitoring progress (ETU, N.D.).

As per Section 139 of the Constitution, provincial government also has a great influence and oversight over the local government sphere in relation to fiscal discipline (South Africa, 1996, p.76). Provincial governments together with local authorities are responsible for the allocation function of government.

The provincial governments have a limited number of Members of the Executive Council (MEC) to head delegated functions (concurrent). Therefore there is no uniformity in how departments are configured. There are also functions that the provinces have no direct responsibility for, except through intergovernmental cooperation. These include those that are exclusive to national (as listed above) and service delivery, which is an exclusive responsibility of the local government sphere.

However the provincial government is allowed to prioritise in the concurrent functions between province and national, through budget allocations signifying provincial priorities. These functions are Education, Health, Social Development, Public Works, Roads, Agriculture, Economic Development, Local Government and Traditional Affairs, Human Settlements, Legislature and Treasury. Three departments play a particularly important constitutional and coordinating role in both the provincial and local spheres, viz. the Legislature, Department of Local Government and the Treasury. They have the responsibility

to keep good governance and accountability to guarantee that services get to the people in the most economical way. Some departments have a more direct role in fighting poverty, for example, the Departments of Health, Education, Social Development, Human Settlements and Agriculture whilst others have a secondary role such as the Departments of Public Works, Roads and Economic Development, through creating jobs and SMME opportunities.

(c) Local government

The Constitution (Section 152 and subsections (1) and (2)) puts the local government sphere in the forefront of the national effort to correct the socioeconomic wrongs of apartheid (South Africa, 1996, p.84). As the tier of government that is closest to the people and their poverty situation, its primary role is poverty reduction and fighting under-development (South Africa. Department of Provincial and Local Government. 2000, p.5). The Constitution changed the structure and role of the local government sphere in line with the challenges facing the new government. Visser (N.D, p.10) citing Brewis (1998) and De Jongh (1998), states local governments are obligated to ensure service delivery to communities and to promote poverty eradication.

As an autonomous authority the local government sphere and its municipalities get their fiscal allocations directly from National Treasury. They are also responsible for setting and funding their own priorities on top of those that are nationally determined. Local governments have direct responsibility for service delivery policy, and programme planning and execution. The service delivery portfolio is structured as follows: provision of free basic services like water, sanitation, electricity and refuse removal. Municipalities are supposed to keep registers of poor people and should regularly update these, given the mobility and changes in the poverty situation of households and individuals (which tend to improve when a household member gets employment or a state social grant).

The so-called “Indigent Policy” is a government policy targeting poverty within municipal areas, by targeting both households and citizens who are unable to access or pay for basic services; such group is referred to as “indigent”. Each municipality needs to develop and adopt an indigent policy to provide the poor with access to the package of services (Western Cape. Department of Provincial and Local Government, N.D, p.12).

2.4.2 Programmes towards poverty alleviation since 1994

This section discusses the key policies and programmes targeted towards poverty eradication and implemented by the South Africa government since 1994.

2.4.2.1 Reconstruction and Development Programme (RDP)

This was a socio-economic policy framework that was a product of a consultative process between the African National Congress (ANC) alliance partners⁵ and termed a ‘people-centred development’ (South Africa. Office of the Presidency, 1994). Its key objective was to reduce poverty in a holistic manner; it was the very first socio-economic policy framework of the ANC- led government in 1994. It targeted inequality as a policy goal and considered reducing unemployment as a necessary, but not sufficient, condition to alleviate poverty and inequality (Bucknell, *et al.*, 2002, p.1). Reducing unemployment is not a ‘sufficient condition’ because economic growth is imperative to be able to implement all the policy strategies. The RDP acknowledged that no political democracy would survive with the majority of its people trapped in poverty, land deprivation and poor access to basic services (South Africa. Office of the Presidency, 1994).

The RDP viewed poverty alleviation as the provision of basic infrastructure (water, sanitation, housing and electrification); equitable distribution of resources; economic security through public investment; proper resources coordination; and a need for a focussed rural development programme targeting deprivation (South Africa. Office of the Presidency, 1994, p.8).

The seriousness of its commitment to redressing inequalities and poverty reduction through redistribution is provided by various targets, which included:

“ ... 2.5 million jobs over a ten year period; building of one million houses by the year 2000; connection to the national electricity grid of 2.5 million homes by 2000; provision of running water and sewerage to one million households; distribution of 30% of agricultural land to emerging Black farmers; development of a new focus on primary health care; provision of ten years of compulsory free education for all children; encouragement of massive infrastructural improvements through public works; and restructuring of state institutions by

⁵ That is, South African Communist Party (SACP), Congress of South African Trade Unions (COSATU) and broader civil society (SANCO).

1997 to reflect the broader race, class and gender composition of society.”
Chicane (2003).

The RDP organised its implementation around two policy frameworks, the Rural Development Framework⁶ and the Urban Development Framework. These frameworks were further supported by three strategies *viz.* the Anti-Poverty; Rural Development and Urban Development strategies. These shaped the core of the country’s local economic development (LED) policy.

2.4.2.2 Rural Development Programme

The concept of rural development first surfaced as an official policy proposition in the RDP White Paper 1994 as a priority programme. The ANC regarded rural development as an all-inclusive responsibility and a major programme in the government’s strategy against poverty. It suggested a different approach, where rural people themselves were to set the rural development agenda and priorities. Due to the diverse nature of the target sectors and programmes for rural development e.g. infrastructure, water, sanitation, health, electrification, housing etc., multi-sector institutions were to be established to enhance state support to rural initiatives (ANC 1995).

Rural development includes the Constitutional Rights such as the right to access to food security, adequate water and food (Luyt, 2008, p.3). However policies on aspects of rural development (health, education, infrastructure, electrification, etc.) are drawn up by different departments in government. The Rural Development Programme provides a strong economic rationale for targeting a focused infrastructure investment programme as a primary catalyst for the provision of social services such as water and sanitation, transport, health services, and schooling in rural areas. The infrastructure investment under the Rural Development Programme further targets extending access to services through expanding farm and non-farm production in poor rural areas. The impact of the infrastructure investment is anticipated to improve incomes of the rural poor households.

The primary goals are the formalisation of planning and resources mobilisation; improving access to resource ownership through protected tenure, restitution and reform programmes, extension services targeting farmers, extension of rights, changes to the Water Act,

⁶ The 1996 Rural Development Framework was “basically a rural development strategy that was intended to ... focus on governance and the provision of infrastructure and services; and a focus on an enabling framework for rural livelihoods to expand, mainly by restoring economic rights to marginalised areas” (Chicane, 2003).

appropriate policy development, product diversification, local production and fighting rural crime. The Rural Development Programme further intended to improve access to financial services for production inputs through access to infrastructure and land development (South Africa. Department of Rural Development and Land Reform, 2010). To entrench and sustain the rural development strategy the government proposed establishing local structures for coordination.

The Integrated Sustainable Rural Development Programme (ISRDP) was introduced by President Thabo Mbeki in 2001 as a ten year programme (South Africa. Department of Provincial and Local Government, 2001). It aimed to coordinate all government investment and programmes towards eradicating poverty and to improving the quality of rural life. It was to be implemented in identified district municipalities nationally (called ISRDP presidential nodes) and targeted rural communities, especially affecting women, youth and the disabled, to make a difference to poverty. The ISRDP was not intended as a stand-alone programme and no additional funding was channelled to the three spheres of government and other partners (private sector, non-governmental organisations; state owned enterprises etc.). It focused on existing programmes of government and aimed to improve coordination; creating viable institutions; and addressing governance needs in municipal rural areas (South Africa. Department of Provincial and Local Government, 2001).

2.4.2.3 Urban Development Programme (UDF)

The Urban Development Framework (UDF) was first mentioned in the RDP White Paper 1994 (South Africa. Office of the Presidency, 1994). The Department of Housing (DoH) was assigned this responsibility and in 1995 produced the first draft Urban Development Strategy for the country, and two years later (1997) the Urban Development Framework was published. Its core aim was to “promote a consistent urban development policy approach for effective urban reconstruction and development” (South Africa. Department of Housing, 1997). The Urban Development Framework notes that the apartheid settlements were characterised by spatial separation of different racial groups, levels of access to government services, urban sprawl, overcrowding of the poor in high density areas on the urban peripheries etc. Within White formally planned areas residents were further segregated by class, low levels of suburban population density and the wealthy in central zones (South Africa. Department of Housing, 1997, p.3).

Further, the Framework outlined how the government aimed to address key short- to medium-term urban development challenges. It included guidelines about programmes that would produce more efficient, equitable and sustainable cities and towns that would enhance the economic and social development to meet the demands of a growing urban population (South Africa. Department of Housing 1997, p.1). It would bring about urban spaces that are combined spatially and socio-economically, free of racial and gender discrimination and segregation, and that enable people to make residential and employment choices towards poverty eradication (South Africa. Department of Housing, 1997). As the sphere closest to the people, the local government would play a critical role in rebuilding local communities through poverty eradication (South Africa. Department of Provincial and Local Government, 1998).

2.4.2.4 Integrated Development Plan (IDP)

The IDP was designed to be both a growth and development plan at district and local government level. It was mentioned in the RDP (1994) and the Constitution (1996) as a plan that reflects a common vision across all spheres of government. The IDP is further clarified in the Chapter 5 of the Municipal Systems Act, No. 32 of 2000 (South Africa. Department of Provincial and Local Government. 2000, p.36). It is also defined as a “principal instrument that guides and informs budgeting, management and decision-making related to service delivery and development in a municipality” (South Africa. Department of Provincial and Local Government. 2000, 2000, pp.30, 32, 38). It was later endorsed by the Development and Facilitation Commission (1999) as an institution that would coordinate all government planning across different spheres.

Unlike many other government plans, the IDP is legislated and enforceable. It is a five year plan aligned to the political term of the council. The IDP gives power to the local community to dictate what is to be funded as a priority and where funding is to be implemented. The IDP uses the term ‘local agendas’ which refers to a process whereby communities themselves identify and define their poverty challenges and suggest solutions, together with their councillors and municipal officials (South Africa. Department of Provincial and Local Government, 2000, p.5).

2.4.2.5 Provincial Growth and Development Programme (PGDP)

The RDP White Paper (South Africa. Office of the Presidency, 1994) emphasised the need for each province to have its own growth and development strategy to close the poverty gap

and to achieve economic growth and social prosperity. The PGDP is a ten year strategy (2004-2014) that provides a deliberate socio-economic agenda, sectoral plans and programmes for the rapid improvement and change in the quality of life. It affords the provinces an opportunity to have a long term streamlined plan to resolve key economy and society structural insufficiencies. Furthermore, it provides the vision and sets provincial targets for economic growth, employment creation, poverty eradication and income redistribution (PGDP, 2004).

2.5 PUBLIC INSTRUMENTS TO ALLEVIATE POVERTY

The following sub-sections discuss the various instruments that are used by government to intervene in the case of income, non-income and asset poverty.

2.5.1 Government's social security grants

Section 27(1)(c) of the Constitution demands that “everyone has a right to have access to social security”, which includes those who are unable to support themselves and their dependants (South Africa, 1996). In line with the Constitution, the Social Security Act was amended to meet the aspirations of the new government. The emphasis on inclusion of children across all racial groups and people with disabilities was a significant and major policy change for the new government (Triegaardt, 2006, pp.1-2).

The following are the key social grants in South Africa that are intended to alleviate income poverty.

Old Age Grant (OAG): This grant is non-contributory and is funded through the budget. It targets those without other income and includes a qualifying age: men over 65 (initially) and women over 60. In 2010 the qualifying age for males was reduced to 60 years. The OAG is one of best-targeted social grants as it goes directly to the intended beneficiary unlike many other grants that are distributed through an intermediary.

Disability Grant (DG): This grant targets citizens who are unable to work because of illness or some type of disability and with very little or no income. Those needing additional care and nursing get an additional amount per month. A means test is conducted to determine if a person qualifies. Although this is an important social grant, there is a commonly held view that it promotes dependency and negatively affects labour force participation.

*Child Support Grant (CSG):*⁷ This grant can be accessed by any person who looks after a poor child or children of up to eighteen years. A means test is conducted to see if a person is really poor and cannot financially support a child or children. Coverage of the CSG has dramatically increased over time since its introduction in 1997 to children under 7 years of age. Since 2003 it was phased in to cover eligible children up to 14 years and eventually up to 18 years.

Care Dependence Grant (CDG): This grant targets children who are ill or disabled and need special care and those with AIDS. Parents and foster parents or any person taking care of or responsible for such children are eligible. It can also be given to those who already have foster grant.

Foster Care Grant (FCG): Official foster parents of children are eligible for this grant. It is paid out monthly to the official foster parent at a fixed amount per child. The foster parent should provide the child/children with adequate food, medical care, clothing, schooling and shelter.

Social Relief Grant (SRG): this grant is intended to give temporary relief to people who are in urgent need of support. It can be either food or money and is only provided for a short time; for example it is given while an applicant is awaiting permanent aid, or is medically declared unfit to undertake remunerative work for a period of less than six months, etc.

Military Veterans Grant (MVG): It targets military veterans from military wings of the ANC (MkhontoWesizwe), the PAC (APLA) and the old South African military.

By 31 May 1995 a total of 2.8 million people were receiving some form of social assistance (Sagna, 2000, p.526). By 31 March 2012 this number had increased to a total of 15 595 705 million people (SASSA, 2012, p.18). The CSG is by far the most important social grant with 9 million beneficiaries, followed by the OAG, with 2 million. More than 9 million grants were transferred to poor households with children in 2009/10, compared to about 350 000 in 1997 (Odi, 2011, p.3-5). Social grants are focused on income poverty. (See Section 3.4.1 for a discussion of the impact of social grants on income poverty as well as the possible impact on adult and child hunger.)

⁷ The CSG was introduced in 1998, replacing the State Maintenance Grant (SMG) that was mainly distributed within the Coloured community (National Treasury, 2001).

2.5.2 Service delivery

Fox and Meyer (1995, p.118) define service delivery as the actual provision of a service or product by the government to the citizens as mandated by Acts of Parliament. They also posit that service delivery can either be tangible (products) or intangible (services). Zubane (2011, p.9) refers to Nengwakhulu's (2009, p.344) explanation: "tangible, like the provision of water, and intangible, like provision of electricity".

Service delivery is focused on non-income poverty and efficient service delivery can make an important difference to the quality of life of the poor. This is confirmed by Borat *et al.* (2001, p.69) who claim that "access to water, electricity and sanitation impact directly on the quality of life".

In the period between 1990 and 1994, the government's approach was to pay the capital cost of the provision of the services and consumers had to cover operational and maintenance costs. However, it soon became apparent that the state of poverty, unemployment and relatively high running costs were excluding poor households from accessing the necessary services. Government then adopted a Free Basic Service Policy⁸ in 2000/01 to avail a basket of free basic services (solid waste, water, sanitation and electricity) to all. Basic services include housing, education, health care, social welfare, transport, electricity and energy, water, sanitation and refuse and waste removal. The first four of these services are assigned as concurrent responsibilities of national and provincial governments, whilst the rest are core responsibilities of the local government sphere (ETU, n.d). The government intends to eventually move progressively towards Universal Access.

As explained earlier in Section 2.4.1.2 the South African government introduced the Municipal Indigent Policy Framework to manage and to determine who qualifies for the free basic service policy.

2.5.2.1 Electricity

The RDP White Paper (South Africa. Office of the Presidency, 1994) identified energy as a 'basic need'. The Department of Water Affairs and Forestry (1994, p.1) claims that "the provision of such services must be part of a coherent development strategy if it is to be successful".

⁸ For electricity, this policy applies to users already connected to electricity systems.

Households that qualify, according to the municipal indigent policy requirements, receive some electricity free of charge. This is an amount of electricity recognised as adequate to meet basic electricity needs to a poor household. Such a quantity of energy is enough for minimum lighting,

“ ... media access, water heating using a kettle and ironing in terms of grid electricity and lighting and media access for non-grid systems. The levels of service are 50kWh per household per month for a grid-based system for qualifying domestic consumers.”

To advance towards a universal access for households in un-electrified rural and urban areas the government used what it called an Integrated National Electrification Programme.

2.5.2.2 Water

The provision of potable water inside the homesteads of the poor will improve quality of live of poor households. Government would also save on the cost of managing illnesses as a result of waterborne diseases. Borat *et al.* (2001, p.69) further claimed that “access to clean water and sanitation has the most obvious and direct consumption benefits by reducing mortality and poor health and increasing the productive capacity of the poor”.

A major challenge for the new government in its efforts to alleviate poverty through the provision of water was the absence of data on African people as this was only partially collected by the apartheid government (Department of Water Affairs and Forestry, 1994, pp.3-5).

Free Basic Water (FBW): According to the FBW policy households are guaranteed a maximum of 6 000 litres (or 6kl) of free potable water monthly. Any demand higher than the guaranteed amount is at full personal cost to the user (ETU, N.D). Free basic water includes water supply for sanitation services, on-site sanitation and the collection and treatment of wastewater. This service includes the following areas; metropolitan municipalities, some district municipalities and local municipalities authorized as Water Service Authorities. Local municipalities are only responsible for operating local resources, bulk water supply schemes, and wastewater collection and treatment systems. Supply of water and sanitation to households, businesses and industries is also a function of local municipalities.

2.5.2.3 Sanitation

Adequate and equal access to sanitation to all citizens is a constitutional obligation that the South African government has to comply with. Areas that were previously disadvantaged like rural, peri-urban and informal settlements are primary targets for the roll out of the sanitation programme. The South African government had set a bold target of completely eradicating the inhumane bucket toilets by the end of 2007 (ETU, N.D). According to the Constitution, the local government has the duty to deliver access to basic sanitation, but must be supported by both the National and Provincial Spheres with legislation and measures.

To meet sanitation requirements local municipalities should include their sanitation planning into the Integrated Development Plans (IDP). Sanitation programmes are funded through own revenue, provincial and national government transfers (own revenue, equitable share and conditional grants) (ETU N.D).

2.5.3 Housing and land reform

The importance of access to land and housing is elevated by the Constitution into a constitutional right (Knight, 2001). Government intervention in the areas of housing and land reform is intended to make a difference to asset poverty as discussed in Section 2.3.3. The specific programmes are directly targeted at household level to secure more than mere poverty relief, but also the acquisition of assets through home ownership and land tenure rights (Lahiff, 2007, p.11-12). Cross (2008, p.2) cites the Government Communications Information Services (2008) who claimed that when a family has access to assets like housing, land, capital and public infrastructure it has a better chance to improve its economic and social security which can be a source of economic participation over the longer term.

2.5.3.1 Housing

Section 26 of the Constitution makes special reference to the inalienable right to housing: “everyone has the right to have access to adequate housing.” It also compels the state to “take reasonable legislative and other measures within its available resources, to achieve the progressive realisation of this right”.

The need to develop a new housing policy in South Africa started before the inauguration of the new democratic government, and was undertaken by the apartheid government, civil society organisations and organised business. Since 1994 a new and inclusive housing policy was developed, culminating in the Housing Act no 107 of 1997.

Cross (2008, p.2) confirms that the housing strategy document identifies housing as an asset which is essential to the economic participation for the poor. According to the housing policy, a beneficiary household should receive integrated services including access to water and sanitation, electricity and infrastructure in order to create a feeling of security and pride in living in a home. This policy stance is testimony to the urgency and importance of the housing programme within government's poverty agenda (South Africa. Department of Human Settlements 2009, p.5).

To facilitate easy national monitoring and comparison of this priority spending component, all housing policies and programmes are nationally determined. The national policy however acknowledges that each province is unique, and therefore mandates each province to customise according to specific provincial needs. According to Part 3 of the National Housing Act (1997)

“ ... every provincial government, through its MEC, must, after consultation with the provincial organisations representing municipalities as contemplated in Section 163(a) of the Constitution, do everything in its power to promote and facilitate the provision of adequate housing in its province within the framework of national housing policy.”

To ensure equity and inclusion, specific institutions⁹ were established and a variety of programmes¹⁰ were introduced for different housing needs.

The government realised that housing shortages mostly affect poor Black households and therefore implemented a capital subsidy system to assist the poorest individuals to access housing. The first project-linked subsidy scheme was introduced on 15 March, 1994. The housing subsidy, regarded as “the cornerstone of the government's approach to the housing challenge” (Black *et al.*, 2011, p.145), is not racially based and therefore supports all poor and qualifying South African citizens. Subsidies can be granted to individuals to obtain units under approved projects or to obtain ownership of an existing property. Under certain conditions the subsidy may even be allocated to the developer. Additional credit is also provided from institutions that are subsidised by government (Black *et al.*, 2011, p.145).

⁹ See Appendix 2 for an overview of the institutions in support of the new housing policy.

¹⁰ Due to the limited scope of the dissertation, specific detail about the different housing programmes is provided in Appendix 3.

2.5.3.2 Land reform

After 1994 the new government initiated a process of redressing apartheid laws through land reform. The land reform policy had three pillars: redistribution (transferring of White-owned agricultural land to Blacks), restitution (settling claims of land lost under apartheid through either restoration or financial compensation) and tenure reform (aimed at providing more secure access to land in communal areas and commercial farms). It also took the approach of economic empowerment for Black farmers. The initial target for government was, by 2014, to distribute more than 30% of land under White ownership to benefit about 60 000 individual Black South African citizens (DLA, 2007, p.60).

To resolve challenges related to administration of rural communal land the government passed the Communal Land Rights Act, 11 of 2004. Its primary object was to address security of tenure for people living on tribal land. This Act introduced administrative procedures for communities to be involved in decisions concerning development and selling of communal land. Under this law, individuals were allowed to own land or property as a group by forming communal property associations (South Africa. Department of Agriculture and Land Affairs, 2006).

(a) Land Tenure

This sub-programme under the Communal Land Act, No. 11 of 2004, aims to address specific objectives. First it is intended to deal with the administration of state land in former homeland (entrenched and formalized by the 1913 Land Act). This type of ownership makes up the bulk of land in the former homelands in South Africa. It includes a plethora of other similar land tenures common under the colonial and apartheid eras: land owned by the South African Native Trust, South African Bantu Trust and South African Development Trust, which currently ~~resort~~ reside under the Minister of Land Affairs. The apartheid period had entrenched a wide variety of tenure systems which are still in existence in rural parts of the country.

The second objective was to strengthen the security of tenure for the inhabitants of White-owned commercial farms. Under the apartheid government, farm workers did not have access or rights to farm land they were residents on to practise commercial farming. However there were isolated cases where some White commercial farmers provided access to grazing and arable land to unpaid labour tenants in exchange for their labour (South Africa. Department of Agriculture and Land Affairs, 2006, p.42).

(b) Land Redistribution

This sub-programme aims to extend tenure of commercial farmland to African farmers. It was developed to avail land for agriculture to the previously disadvantaged groups, especially land-deprived African citizens and small scale farmers needing to partake in both subsistence- and large-scale commercial farming. The sub-programme intended to achieve this by redistributing 87% of land under White ownership (South Africa. Department of Agriculture and Land affairs, 2006, p.22). The initial target for government was to distribute more than 30% of land under White ownership by 2014 to benefit about 60 000 individual Black South African citizens (South Africa. Department of Agriculture and Land Affairs, 2006, p.60).

This programme is also the most important given that it also aims to provide more than just commercial agricultural land but also land for settlement and non-agricultural enterprises. This program is at the heart of agrarian transformation and intended for long-term economic development, including poverty eradication.

(c) Land Restitution

This sub-programme gives effect to the Constitutional undertaking to compensate or give land back to those whose land was dispossessed by the ~~in~~ 1913 Native Land Act (See Appendix 2). It is based on the provision in Section 25(7) of the Constitution (South Africa, 1996). The process of land restitution started in 1995, and like others involved an intricate process of inviting claimants to submit applications for restitution. Claimants were given up to the end of 1998 to submit their claims. This process included a lengthy process of investigating, adjudicating and settling each case on its merits. To give institutional support to this process, and expedite settlement of claims, a Commission on the Restitution of Land Rights (CRLR) was set up to support the Land Claims Court in its restitution investigations (South Africa. Department of Agriculture and Land Affairs, 2006, p.9).¹¹

2.6 SUMMARY AND CONCLUSION

This chapter first explained the theoretical role for government to correct market failures. In the case of poverty relief, the market fails dismally. According to the theory, the distribution and stabilisation functions should be assignment to national government and the allocations

¹¹ “An award in terms of the restitution programme can in terms of the Restitution of Land Rights Act (No 22 of 1994) take many forms. Land can be restored to claimants or alternative land acquired. Financial compensation can be paid or provision can be made in a development programme” (DALA, 2006, p.9).

function to sub-national governments. However, governments can also fail and the failures of politicians, bureaucrats and different rent-seekers are relevant in the South African context.

The chapter also gave a short overview of the extent of income, non-income and asset poverty at the dawn of the new democracy. This was discussed in terms of specific poverty lines, lack of basic services and the dire position with homelessness and landlessness.

The role of government in South Africa is much more than just setting up governance structures and developing policies to correct market failures. The government has obligations to maintain certain standards of living for all its people. Since taking office in 1994, the current South African government has regarded poverty alleviation as a priority area. The Constitution, through the Bill of Rights, confirms the responsibility of different levels of government to embark on programmes focused on poverty relief. High on the agenda of the current government has been the establishment of institutions, policies and programmes to rectify the damage caused by previous governments' policies and institutions.

Lastly, the chapter discussed the various instruments that the South African government uses to alleviate poverty. Social grants, especially the CSG, make a difference to the extent of income poverty. The efficient delivery of basic services is intended to make a difference to non-income poverty, whilst asset poverty is the focus of the policies on housing and land reform.

As stated in Chapter One, the main aim of this study is to investigate whether government intervention since 1994 has made a difference to the extreme poverty levels that it inherited. Chapter Three investigates the profile of the poor and the extent of poverty in the Eastern Cape as a case study and attempts to answer the research question.

CHAPTER THREE

THE IMPACT OF GOVERNMENT INTERVENTION TO ALLEVIATE POVERTY IN THE EASTERN CAPE: 1994 – 2012

3.1 INTRODUCTION

The post-apartheid government has prioritised poverty alleviation as a central pillar of its development policy and, as discussed in Section 2.4, poverty eradication is a constitutional matter. The aim of this chapter is to investigate whether government's policies and programmes since 1994 have made any difference to income, non-income and asset poverty

in the Eastern Cape. It serves as a case study of the national poverty problem and also focuses on some of the challenges that constrain the efficient implementation of government policies. Because poverty manifests itself in a multidimensional manner, and those living in poverty are vulnerable to deprivation in several dimensions, the province implements diverse strategies to deal with short- to medium-term safety net challenges as well as longer-term interventions to build future household assets (Stats SA, 2008, p.3).

This chapter is structured as follows: Section 3.2 gives a background overview of the Eastern Cape Province. Section 3.3 focuses on the demographic profile of the Eastern Cape. Section 3.4 gives an overview of the provincial poverty trends over this period, while Section 3.5 investigates the impact of government interventions and Section 3.6 concludes the chapter.

3.2 BACKGROUND OVERVIEW

The poverty challenge facing the Eastern Cape can be traced back to pre-democracy governments' deliberate racially discriminating policies. The discriminatory laws placed on the Black¹² population comprehensively ranged from political to socio-political rights. The poverty and inequality situation in South Africa and particularly the province of the Eastern Cape is rooted in the historic and structural nature of the apartheid laws, and unemployment. As a labour reserve for the formal sector in the former apartheid and homeland era, the Eastern Cape was not spared from such challenges (Harington, McGlashan & Chelkowska, 2004, p.65).

Geographically, the province is mainly made up of large parts of the former homelands of Transkei and Ciskei, which were at the start of the new democracy both characterised by very high levels of poverty and unemployment, linked directly to the historic neglect of the former homelands (Punt *et al.*, 2005, p.2).

At the time of integration of the previous homelands into South Africa in 1994, about 65.1% of the population of the Eastern Cape resided in rural areas whilst the national average was 37% (Punt *et al.*, 2005, p.4). This characteristic of the province was also pointed out by the Central Statistics Services (1996, p.8) which referred to it as more rural in character than the country as a whole, with poorly developed social and economic infrastructure such as schools, health facilities, telecommunications, roads, and rail, air and seaport networks.

¹² The terms African and Black are used interchangeably and exclude the Coloured and Indian population groups.

The province is divided into six district municipalities and two metropolitan municipalities. ‘Urban’ municipalities are Cacadu and Amathole District Municipalities plus the two metropolitan municipalities (Nelson Mandela and Buffalo City). The Amathole District Municipality is made up of large parts of the former homeland of Ciskei (Punt *et al.*, 2005, p.3). The four remaining district municipalities (OR Tambo, Chris Hani, Ukhahlamba and Alfred Nzo) are rural, consisting of mostly former Transkei and Ciskei territory. OR Tambo District Municipality is home to the poorest local municipality (Ntabankulu) in the country, where 85% of the residents live below the poverty line (HSRC, 2004, p.1).

These are very important indicators for provincial planners, given that during the homeland period rural areas were not electrified, few schools and clinics were built, roads not surfaced nor well maintained, no proper sanitation system was provided, and people were not adequately provided with clean water within their homesteads. In certain townships only communal taps were provided under the apartheid government¹³ and most rural settlements depended on natural springs and rivers; in exceptional cases wind mills were constructed but were barely functional due to poor maintenance. The Department of Water Affairs and Forestry (1994, p.1) argues that “the lack of basic services such as water supply and sanitation is a key symptom of poverty and underdevelopment. Cothren (2013, p.13) confirms that “the apartheid era in South Africa left a legacy of poverty and stark inequities in access to all resources in the former Homelands”. This is particularly true in the case of the Eastern Cape.

3.3 DEMOGRAPHIC PROFILE

This section provides demographic information on the Eastern Cape Province. Thomson (2007) describes demographic trends as the changes in a population over time. It refers to selected population characteristics as used in government programmes including population, spatial distribution, racial composition, gender distribution and age composition

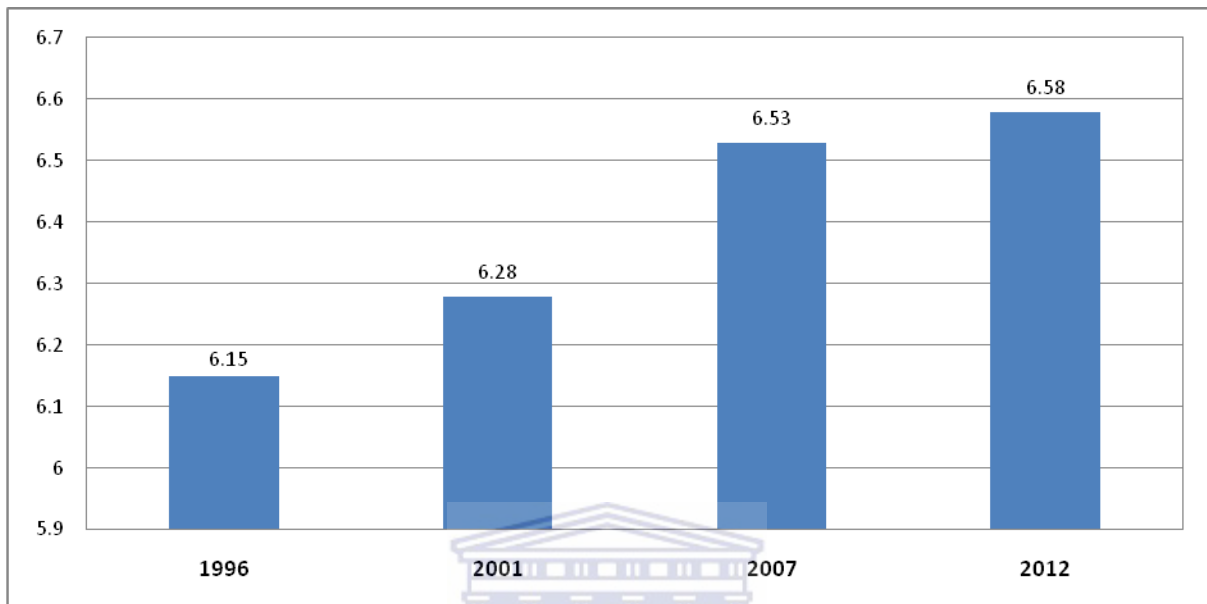
3.3.1 Population

Population is an indication of the number of people inhabiting an area. The population size of an area is a critical factor for government planners. Optimal, or at least adequate, services can only be provided when accurate population data and correct profiles for a particular area are available.

¹³ Personal observation and experience.

Figure 3.1 below provides a dynamic view of the Eastern Cape population by comparing the data from Census 1996 and 2001, Community Survey (CS) (2007) and General Household Survey (GHS), 2012 (Stats SA, 2004b; .2007a; 2013).

Figure 3.1: Eastern Cape population in millions



Source: Own calculations using data from Census 1996 and 2001; Community Survey 2007 and General Household Survey 2012 (Stats SA, 2004b; .2007a; 2013).

According to the 1996 Census (Stats SA, 2011, p.6) the population of the Eastern Cape was 6 147 244 or 15.1% of the total South African population of 40.6 million. Central Statistics Services (1996, p.7) referred to the Eastern Cape Province as the third-most populated province in the country. Further, the Eastern Cape Socio-Economic Consultative Council (ECSECC, 2012, p.1) indicates that about 97% of the Eastern Cape population was born in the province, compared to 56% of the population in Gauteng.

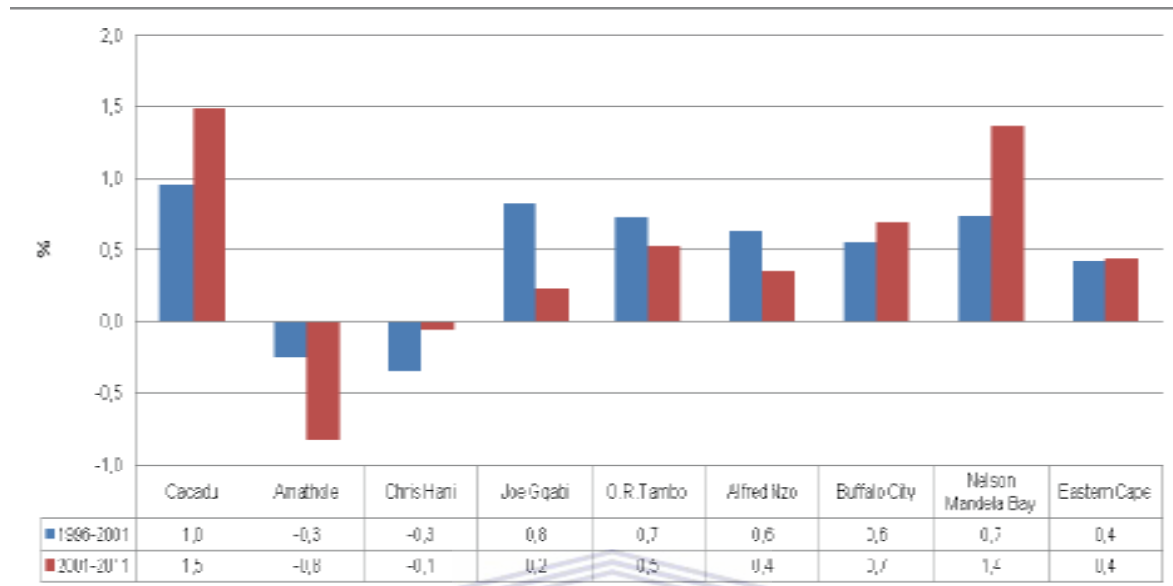
Whilst the provincial population did not grow at a rate comparative to that of the Gauteng, Western Cape and Kwa-Zulu Natal provinces, it showed steady growth between 1996 (6.15m) and 2001 (6.28m), an increase of 131 407 persons or 2.1%. Between Census 2001 and CS 2007, it grew from 6.28m to 6.53m i.e. by 250 000 persons or 3.9%, then a marginal increase to 6.56m by Census 2011, an increase of 30 000 persons or 0.46% (Stats SA, 2007a, p.14).

It is clear from the figure 3.1 above that the province experienced a net outflow since the 2007 CS. The main reason for this is a large net migration. In the last ten years 436 466 people left the province, while only 158 205 people migrated into the province, leading to net migration of -278 261 people (Stats SA 2013, p.26).

3.3.2 Spatial distribution of population

This section provides a picture of how the provincial population is distributed.

Figure 3.2: Population growth rates by district municipality, 1996-2001 and 2001-2011



Source: Stats SA, 2012a.

According to Figure 3.2 the Amathole District Municipality continued to lose population from the 1996-2001 census periods to the 2011 census: in the period between 2001 and 2011 it lost by -0.8%, an increase from the previous loss of -0.3% in 1996-2001. Whilst the Chris Hani District Municipality experienced population loss in the period 2001-2011 (-0.1%), this was an improvement from the period 1996-2001 (-0.3%). The Joe Gqabi District Municipality experienced a significant loss (0.2%) in 2001-2011 from its 1996-2001 population gain (0.8%), followed by Alfred Nzo losing 0.4% in 2001-2011 from 0.6% in 1996-2001. OR Tambo had a marginal loss of 0.5% in 2001-2011 from 0.7% in 1996-2001.

In contrast the Cacadu District Municipality has experienced continuous positive growth of its population, from 1.0% in the period 1996-2001 to 1.5% in the period 2001-2011. Both metropolitan municipalities, Nelson Mandela and Buffalo City, experienced growth in the period 2001-2011: Nelson Mandela by 1.4% followed by and Buffalo City 0.7%, an improvement from 0.7% and 0.6% in 1996-2001 respectively.

The spatial distribution is also an important variable to factor in when considering the equitable allocation and distribution of government resources towards service delivery, given the inequalities between rural and urban areas in the Eastern Cape Province. The picture is one of increasing urbanisation, with most district municipalities showing net population loss since the 2001 census. Large parts of the Eastern Cape which were part of the former

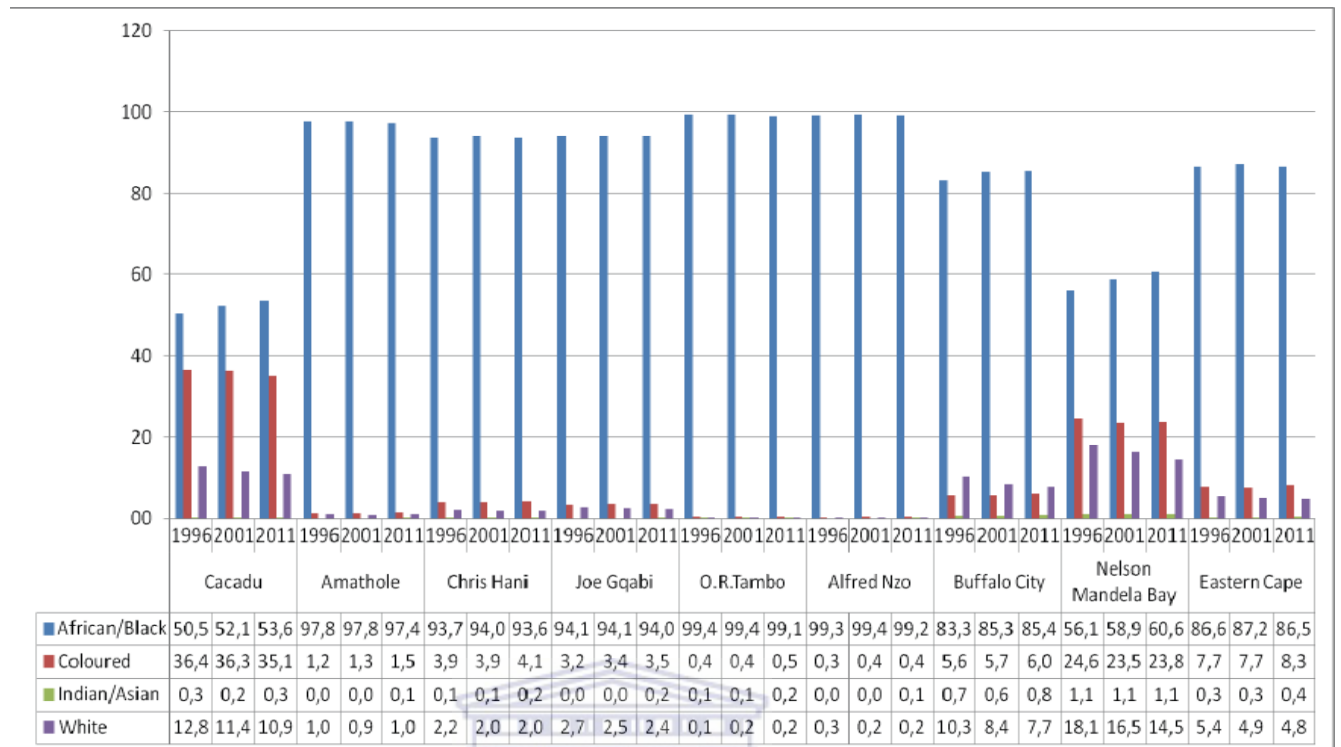
homeland of Transkei are rural and very poor. It is also home to the poorest municipality in the country, Ntabankulu.

3.3.3 Racial composition of the population

The CS (Stats SA, 2007a) reports that the total population of Eastern Cape remained predominantly Black. The Black African group continued to increase in size, from 86.7% of the population in 1996; to 86.9% in 2001; and to 89.7% in 2007. This translates to a 3% growth rate between 1996 and 2007. The Coloured and White population groups showed a steady decline during the same period, whilst the Indian community remained relatively unchanged.



Figure 3.3: Distribution of population by population group and district municipality, 1996, 2001 and 2011



Source: Stats SA, 2012a.

The White and Coloured communities are mostly found in the Cacadu District Municipality and Nelson Mandela and Buffalo City Metropolitan Municipalities, although they are far outnumbered by Black Africans in all three areas. Amathole, Chris Hani and Joe Gqabi district municipalities are home to some Coloureds and Whites, while OR Tambo and Alfred Nzo have an almost 100% African population.

The growth of the Black population in Cacadu is consistent with the population growth shown in Figure 3.3 above. However the Coloured and White population groups both dropped steadily from 1996 to 2011. This trend is similar for Nelson Mandela Metropolitan Municipality. Buffalo City Metropolitan Municipality showed stagnant growth for the Indian/Asian and Coloured population groups, but the White population group seemed to be decreasing towards 2011.

The information about race is important for planning and service delivery targeting to vulnerable groups and for the needs of specific groups (PGDP 2004). The picture is of the Black population group being significantly and consistently poorer than the other groups (Coloured, Indian/Asian and White) across all the Eastern Cape district municipalities.

3.3.4 Gender distribution

Gender is an important variable in the fight against poverty in the Eastern Cape as in the rest of South Africa, given that the majority of the poor are women in both cases (Leibbrandt *et al.*, 2010, p.36).

The CS (Stats SA, 2007a) revealed that both the male and female numbers in the province grew significantly between 1996 and 2001, and that the female share was slightly more dominant at about 51% throughout the period (Stats SA, 2012a). Also, there were more women than males across all districts. Alfred Nzo District Municipality had the lowest number of men per 100 women (84) in 2011 (Stats SA, 2011, p.12). The male-to-female dynamics have always determined the distribution, allocation and ownership of resources and the Constitution specifically addresses these inequalities in the Preamble and the Bill of Rights (Chapter 2 of the Constitution) (South Africa, 1996).

Various enabling legislation and programmes were put in place to deliver, alleviate and eventually eradicate poverty, particularly amongst women. A ministry, the Department for Women, Children and People with Disabilities was added to the government structure in 1999. Ozoemena (2010) claims that “it is noteworthy that, 15 years after [Beijing]¹⁴ most South African women still live in poor conditions with meagre salaries, with inadequate skills, poor sanitation and inadequate basic necessities”. This point is explained by Leibbrandt and Woolard (1999, p.31) who write

“Women are often singly responsible for child-care, cleaning the house, fetching and heating water, washing and ironing, shopping, collecting firewood, cooking and washing dishes. The many household activities which women are expected to perform severely restricts the amount of time available for income-earning activities,”

concluding that “households headed by women are more likely to be poor”. These families tend to rely more heavily on remittances and government social support for their livelihood than male-headed households. Their vulnerability is made worse by the irregular and uncertain nature of remittances. The plight of women headed is evident when comparing the national wage income and it is a third of that of male headed households and the situation in the Eastern Cape Province is not different.

¹⁴ This was a United Nations Fourth World Conference on Women held in 1995 in Beijing China.

3.3.5 Age composition

Similar to gender, the age distribution is important in planning government programmes, especially social security grants, such as the child support grant and old age pensions.

Table 3.1 Eastern Cape population by age group

EASTERN CAPE POPULATION BY AGE GROUP: Children and Youth				
Age group	Census 1996	Census 2001	(GHS)2007	Census 2011
0-18 (Children)	51.11%	49.13%	47.43%	44.31%
0-34 (Youth)*	72.43%	69.87%	69.77%	66.97%
35-59 (working age)	19.03%	20.89%	20.60%	23.29%
60-85+	8.51%	9.21%	9.59%	10.06%

Source: stats SA 2011, p.46

*includes ages between 0-18

Table 3.1 indicates that the youth (under the age of 34) form the major part of the population of the Eastern Cape although the proportion has decreased slightly. This has implications for government intervention in terms of child support grants as a significant part of the population is eligible for CSG, but it is also important because of the extent of youth unemployment.¹⁵

Another noticeable character of the provincial age distribution is in the proportion of the population between ages 60 to 85+, as it consistently increases from 8.51% in 1996 to 9.21% in 2001, 9.59% in 2007 and 10.06% in 2011. This phenomenon implies that in future a higher % of the population will be dependant on OAG.

3.4 POVERTY TRENDS IN THE EASTERN CAPE: 1995 – 2010/2011

3.4.1 Poverty headcount ratios

Bhorat and Kanbur (2006, p.106) define the poverty headcount ratio as "... the number of poor people as a percentage of the total population at each poverty line". This section provides an analysis of the Eastern Cape poverty trends between 1995 and 2010/2011.

Table 3.2 Eastern Cape poverty headcount ratio trends for head of household, by race, gender, age and education, and area type

		IES 1995	IES 2000	IES 2005/2006	IES 2010/2011

¹⁵ The government recently introduced a subsidy system to encourage the private sector to hire youth. The aim is to try and empower them to gain experience and skills (South Africa, National Treasury, 2011, p.28).

All	All	0.6622	0.7424	0.6182	0.5757
Race of household head	Black	0.6364	0.7974	0.6836	0.6364
	Coloured	0.3118	0.5911	0.3174	0.3118
	Indian	0.0000	0.0000	0.0000	0.0000
	White	0.0192	0.0858	0.0117	0.0192
Gender of household head	Male	0.4736	0.6579	0.4914	0.4736
	Female	0.6719	0.8305	0.7380	0.6719
Area type	Urban	0.3855	0.4963	0.4013	0.3855
	Rural	0.7172	0.8691	0.7735	0.7172
Age of household head	Below 25 years	0.7354	0.7084	0.5656	0.7354
	25-34 years	0.5518	0.6514	0.5382	0.5518
	35-44 years	0.5119	0.6528	0.5811	0.5119
	45-54 years	0.5791	0.7208	0.5782	0.5791
	55-64 years	0.5696	0.8080	0.6687	0.5696
	65+ years	0.6172	0.8392	0.6930	0.6172
Educational attainment of household head	No schooling	0.7574	0.9218	0.8203	0.7574
	Incomplete primary	0.7229	0.8867	0.7549	0.7229
	Incomplete secondary	0.5798	0.6894	0.6053	0.5798
	Matric	0.2773	0.3275	0.2728	0.2773
	Matric + Cert/Dip	0.1296	0.0881	0.0289	0.1296
	Degree	0.0635	0.0924	0.0000	0.0635

Source: IES 1995, IES 2000, IES 2005/2006 and IES 2010/2011 (Stats SA 1995; 2002; 2008c; 2012d).

Table 3.2 shows that poverty for all households increased significantly up to 2000, except for Indian households which recorded no poverty in that period.

Race of the household head is a very important variable in determining the poverty likelihood and occurrence. An observation across the period observed (starting from IES 1995 to IES 2010/2011), is that Black-headed households followed by Coloured-headed households have the highest poverty headcount ratios which seemed to gradually increase in IES 2005/2006, only to drop again in IES 2010/2011 to the IES 1995 ratios.

Looking at gender of household head it can be seen that the poverty headcount ratio for females is relatively higher than that of males. It also shows growth for both males and

females in IES 2000. It then drops for both female and males towards IES 2005/2006 and IES 2010/2011 to the IES 1995 ratios.

The trend is the same for area type as in the gender- and race-headed households. Rural areas have a higher headcount ratio than urban areas. In the Eastern Cape Province, the majority of the Black and female population live in rural areas. It is therefore not surprising to see rural areas with higher and increasing poverty headcount ratios, which is in line with the increase in both these groups.

The poverty headcount ratio in relation to age of household head decreases with age from age below 24 years to ages between 35 – 44 and gradually rises for ages from 55 – 64 and 65 and above. These shifts show that overall those aged below 25 years are worse off even in comparison with those aged above 65 years. Like all other categories IES 2000 seem to be the worse period for the poverty headcount ratio.

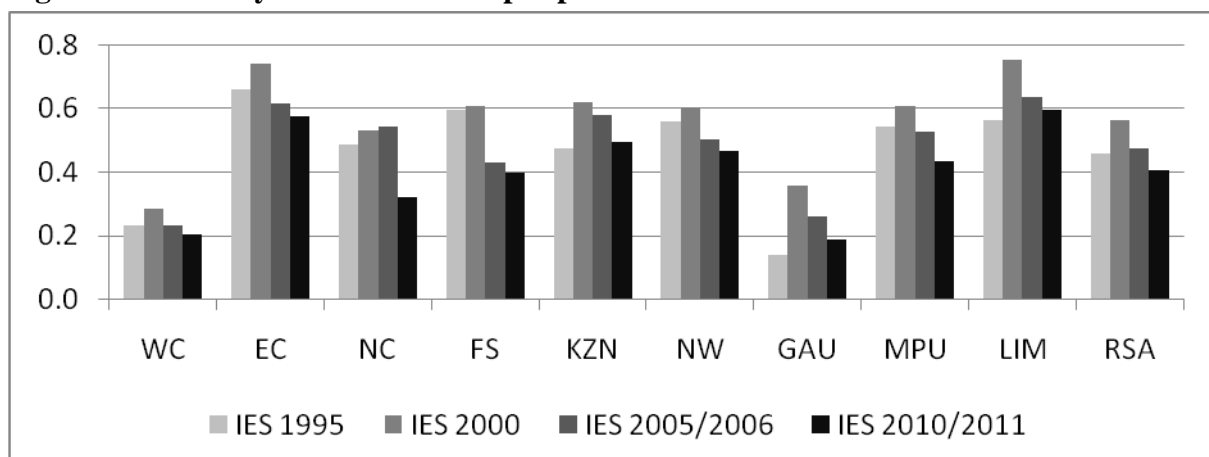
Poverty headcount ratio is higher for both those with no schooling and incomplete primary education. This group is also affected by the drop observed in IES 2000. Those with degrees are much better off and show zero poverty headcount ratio for IES 2005/2006.

In conclusion, it is clear that programs towards poverty alleviation should focus on the black population and specifically on rural areas and on women and children.

3.2.1 Poverty headcount per province

Figure 3.4 below provides a dynamic poverty headcount ratio¹⁶ per province.

Figure 3.4: Poverty headcount ratio per province



¹⁶ According to the World Bank, the national poverty rate is the percentage of the population living below the national poverty line (World Bank, N.D.).

Source: Own calculation using Income and Expenditure Surveys for 1995, 2000, 2005 and 2010/2011 (Stats SA 1995; 2002; 2008c; 2012d).

The Eastern Cape (2008/09) had the second highest head count ratio (after Limpopo), and the poverty headcount ratio was also obviously higher than the national average (Stats SA, 2012, p.11). The province poverty headcount ratio grew between Income and Expenditure Survey (IES) 1995 and IES 2000 (Stats SA, 1995; Stats SA, 2002). According to the IES 2000 the Eastern Cape recorded the highest headcount ratio after Limpopo. From IES 2000 it then declined so that in IES 2010/2011 it was just below that of Limpopo Province (Stats SA, 2012d).

From the poverty headcount ratios it can be derived that poverty decreased over the period between 2005/6 to 2010/11. It is also clear that households in the Eastern Cape are still poorer than most other provinces and that its relative position has not changed over the period.

3.5 THE IMPACT OF GOVERNMENT INTERVENTION ON INCOME, NON-INCOME AND ASSET POVERTY

3.5.1 Income poverty

This section focuses on government's intervention by means of social assistance. Social assistance programmes are intended to make a difference to income poverty.

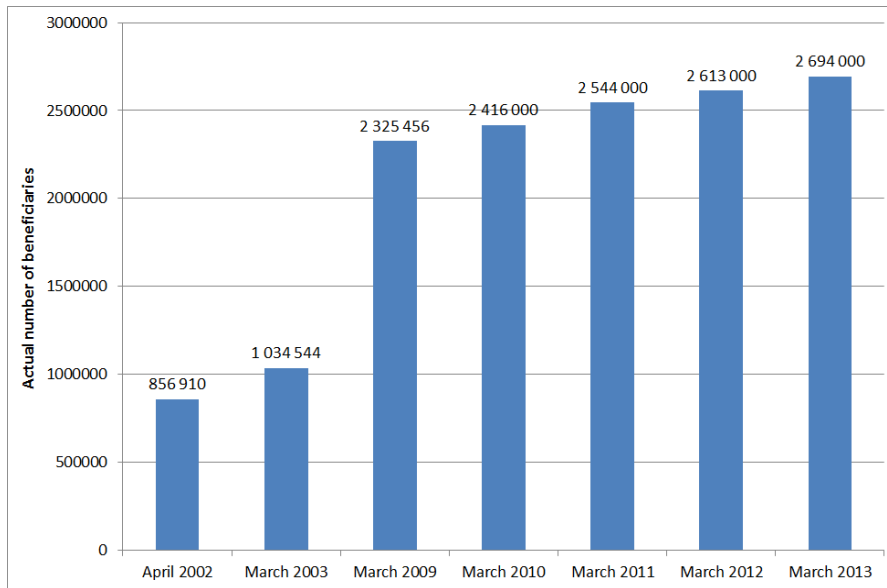
In line with the new Constitution, the new government amended the Social Security Act to meet its poverty eradication aspirations. The inclusion across all racial groups of children and people with disabilities was a significant and major policy change (Triegaardt, 2006, pp.1-2). By 31 May 1995 a total of 2.8 million people were receiving some form of social assistance, equalling about 7.5% of total government spending (Sagna, 2000, p.526).

3.5.1.1 Impact of social grants on income poverty

This section assesses the impact of the government social security policy on poverty. It presents a dynamic assessment of the increase in the numbers of social grant beneficiaries in the province, then gives an overview of research findings on the impact of social grants and finally the refers to the possible impact on adult and child hunger.

Figure 3.5 below shows the growth of social grant beneficiaries in the Eastern Cape in the period from April 2002 and March 2013.

Figure 3.5: Social grant beneficiaries in the Eastern Cape, April 2002 – March 2013



Source: South Africa. National Treasury, 2007 and 2009.

The limitation of this figure is that it misses 1994 which coincides with the inauguration of the new government and new provincial boundaries. That period is important given the many changes it brought, including equalisation and integration of benefits across all citizens.

The numbers of beneficiaries experienced a significant growth (177 634) from April 2002 to March 2003 followed by an average growth of (215 152) to 2009. The 2003 – 2009 average growth is the highest for the province beyond which it shows steady growth. When using the 2011 census population figure (6 562 053) for the province and the March 2013 grant beneficiaries, the province had about 41%¹⁷ of its population dependent on government grants.

The research on social spending in South Africa confirms that OAGs and DGs are well targeted, providing evidence that government is effective in accomplishing fiscal transfers of resources to the poor. IDASA (2007, pp.7-8) also attributes effectiveness of the grants to the fact that they are well targeted. Consequently the well targeted OAG and DG results in rural areas receiving a reasonable share of social spending compared to the situation in many other developing countries. Harman (2003, p.1) goes further to conclude that many of the beneficiary households only have government grants as their source of income. This statement is supported by Ruhiiga (2000, p.192) as he claims that the material base of most people in rural areas centres on the OAG (505 423) and DG (185 328) with some families totally dependent on the grants for food, clothing, health etc. Social grants are said to have a

¹⁷ This figure is slightly higher than the 37% mentioned by the SAIRR (2012, p.4).

broad reach in poor households given that they are mostly shared amongst the extended family (South African Child Gauge, 2010).

Social assistance also has impact on education and closing gender disparity between female and male children. According to PSAM (2005, p.8) the benefits from social grants to education are greater for girls than for boys. The social grants outcomes for girls who reside in pensioner households are greater. Girls who belong to these households have 7% more chances to be enrolled full-time in school than their peers in households without a pensioner. Together the CSG the OAG are very important grants because of their close association with school attendance. The two grants are also said to contribute to reducing poverty with long-term and dynamic benefits that are not easily measured by statistical analysis. Because of access to the grants, the number of children reported to be going to school without food dropped from about 31% in 2002 to about 16% in 2006 (Mbolambi, 2009).

Delany and Storchi (2012, p.54) reported that social grants are also used for paying burial societies, and the Department of Social Development and Special Programmes in the Eastern Cape claimed that households benefiting from social grants spend a significant share of the grant on food which makes an important contribution to the quality of life of the poor (Eastern Cape. Department of Social Development and Special Programmes, 2010). Evidence to this is the impact on food hunger (See Section 3.5.1.2)

Social grants have proven to be effective in reducing poverty and all the grants appear to be well targeted, making them the only hope for some of the poor (Delius and Schermer, 2001, p.8). This led to Van der Berg, Louw and Du Toit (2007, p.25) concluding that the income poverty situation has improved remarkably, especially for people who were experiencing the greatest degree of welfare deprivation and hunger. This assertion is also shared by IRIN (2009, p.6) where it is noted that households receiving social grants have lower incidence rate of hunger especially for younger children and adults. It also associates lower state spending on healthcare with success of the social security system.

3.5.1.2 Food hunger in the Eastern Cape

Lewit and Kerrebrock (1997) offer the following definitions for food hunger: "an inadequate amount of food intake due to lack of money or resources" or "the mental or physical condition that comes from not eating enough food due to insufficient economic, family, or community resources." They refer to this type of hunger as "resource-constrained hunger" which, whilst being related to income poverty, is distinctly different from the daily pre-

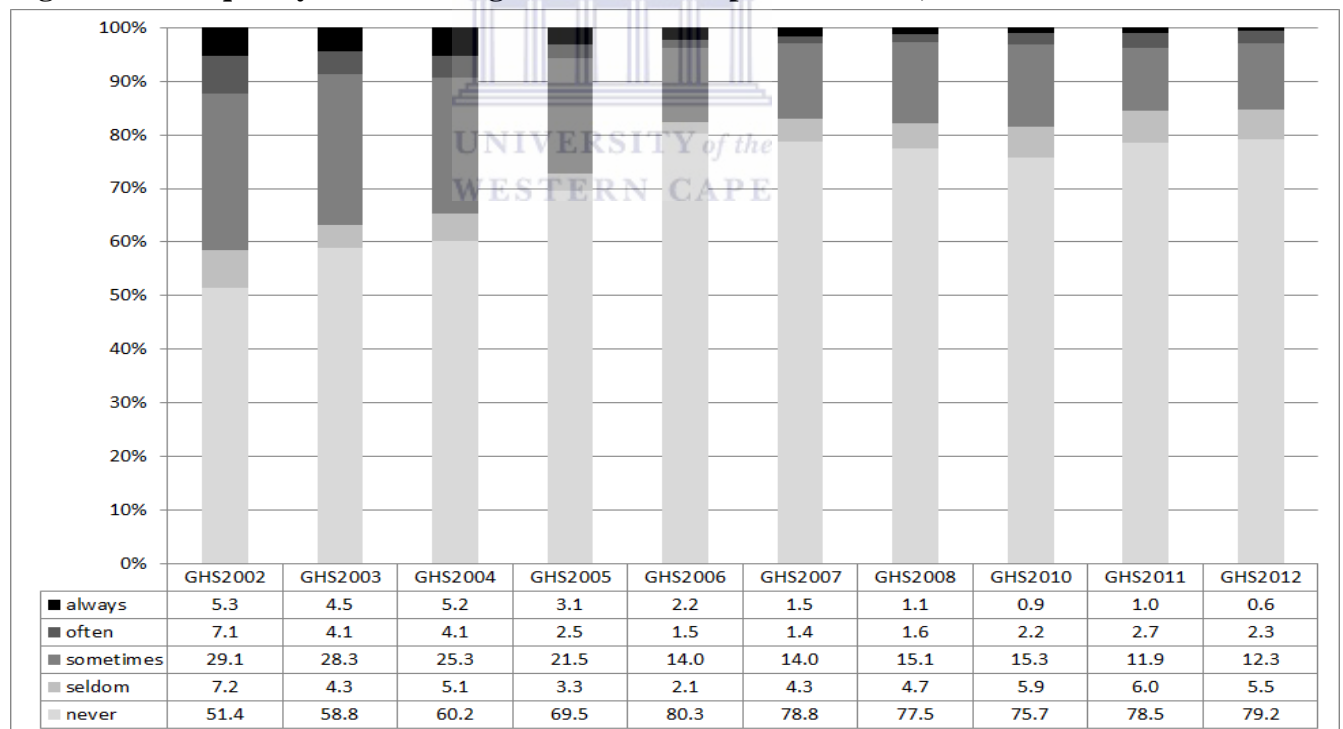
mealtime hunger encountered across the income spectrum. Jacobs (2010, p.4) explains that hunger is

“... commonly associated with extreme cases of food shortages - a lengthy period of insufficient or zero food intake that often results in reduced activity levels or severe illness. It ... further refers to the share or proportion of households who report a perceived experience of hunger rather than numbers of hungry children or adults.”

(a) Adult hunger

A study conducted by Stats SA (2011, p.iii) reveals a significant percentage (15, 2%) of elderly-headed households to have reported hunger whilst households headed by individuals aged 18–59 years reported a lower percentage of hunger (12, 6%). For the elderly-headed households the study also noted that the incidence of hunger increases with increases in household size¹⁸ (these percentages are not shown in the figure below). Figure 3.6 illustrates the frequency of adult hunger in the province between 2002 and 2012.

Figure 3.6: Frequency of adult hunger of Eastern Cape households, 2002 – 2012



Source: General Household Surveys 2002-2008 and 2010-2012 (Stats SA 2003; 2007b; 2008b, 2012c; 2013).

The GHS 2002 indicated that about 5.3% adults reported to have hunger always against 51.4% who reported never having had hunger. The number of adults reporting sometimes

¹⁸ This is particularly the case where the number of additional dependents increases with whom they share their resources.

experiencing hunger is also high, at 29.1%. Whilst the number of adults who reported never having experienced hunger steadily increased until a jump during GHS 2006, the adults who reported always experiencing hunger also reduced significantly.

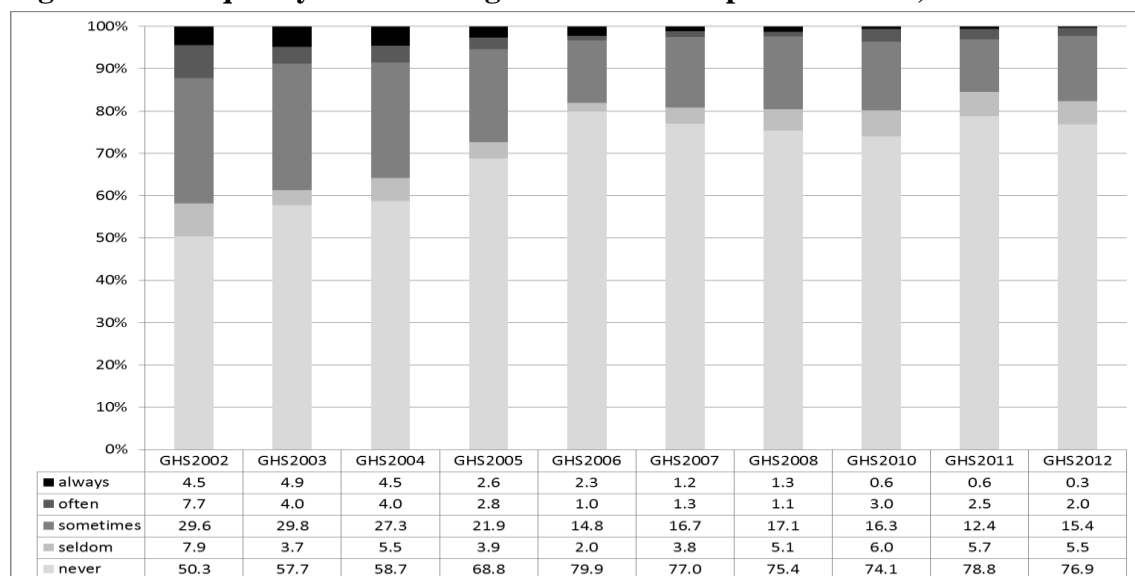
The number of adults who reported sometimes experiencing hunger reduces from 29.1% in GHS 2002 to 14.0% for GHS 2006 and GHS 2007. The frequency of adults who report always experiencing hunger drops to about 0.6% by GHS 2012. GHS 2012 indicates significant progress across other indicators as well: those who reported seldom experiencing hunger reduced from 7.2% in GHS 2002 to 5.5%. Those who never experienced hunger peaked at 80.3% in GHS 2006 and marginally dropped to 79.9% in GHS 2012. Collectively these indicate a decrease in the incidence of adult hunger between 2002 and 2012.

(b) Child hunger

As already mentioned above, the importance of the understanding of child hunger is equally critical to proper systematic planning and addressing poverty in a sustainable manner.

In 2010, 18.6% of all children resided in households that experienced hunger compared to 16.2% of the total population. Black African children are much more likely to experience hunger than White children (20.4% compared to 0.8%). Stats SA (2011, p.iii) makes the conclusion that “households which contain children, particularly child-inclusive female-headed households, are much more likely to have experienced hunger than other households”. From this same study Stats SA also found that almost one-third (33.2%) of children to have had inadequate access to food (these statistics are not in the figure below).

Figure 3.7: Frequency of child hunger of Eastern Cape households, 2002 – 2012



Source: General Household Surveys 2002-2008 and 2010-2012 (Stats SA 2003; 2007b; 2008b, 2012c; 2013).

Figure 3.7 indicates a similar pattern of responses to the frequency of poverty, with 50.3% of children claiming to have never experienced hunger. By comparison, only 4.5% claim to always experience hunger in the same GHS 2002. These findings point to a reduction of the incidence of poverty for the children.

3.5.1.3 Challenges to social grants system

(a) Bureaucratic failure

The delivery of social grants continues to be exposed to fraud by the general public and, unfortunately, also by government officials. To discourage further cases government declared an amnesty for those who voluntary came forward and reported themselves. Many public servants gave themselves up committing to pay back what they stole from government. The types of fraud ranged from people illegally claiming CSG, forging identity documents and bribing medical professionals to approve applications for old age and disability grants (South Africa, Provincial Department of Social Development, 2010, pp.1-2).

Apart from these fraudulent practices many of the targeted beneficiaries were without identity documents making it difficult for them to access government assistance in the form of social security (Mbolambi, 2009).

The province privatised grant payment to two Black Economic Empowerment (BEE) agencies. However problems still persisted, with people having to wait in long queues, without shelter, water and toilet facilities at some pay points (SAHRC. 2004, p.30). In response to similar problems in other provinces and the overwhelming situation nationwide, the National Department of Social Development launched South African Social Security Agency (SASSA) in 2005.

The provincial Department of Health and Social Development found itself overwhelmed and put under administration¹⁹ before it was split into two separate departments and the social grants distribution function was transferred to SASSA (PSAM, 2004, p.1-11).

¹⁹ The following provincial departments were put under administration (as per the Constitution, section 100 (1) (b)): Health; Social Development; Roads and Public Works. In 2002 President Mbeki appointed an Interim Management Team in line with the Constitution (Parliamentary Monitoring Group, 2003).

(b) Data challenges

The Eastern Cape Department of Social Development struggled for a number of years with the implementation of the social grants database, resulting in it under-budgeting for several financial years. PSAM (2005, p.5) writes:

“... it is clear that the Department does not know exactly how many people are in need of social assistance. This makes it impossible for the Department to plan properly and direct its resources where they are most needed. For example, because of its limited knowledge of its service delivery environment the Department has been entirely unequipped to deal with the growing numbers of applications for Child Support Grants. This has led to delays in the processing of such grants and under spending on Child Support Grants by the Department.”

and “newspaper reports dating back to 2001 show that the administrative processing of social grant applications in the province has been at best inefficient, and at worst, chaotic” (PSAM, 2005, p.10).

The database was full of irregularities, to the extent that law enforcement (the Directorate of Special Operations, the so-called “Scorpions”, a unit of the National Prosecuting Authority) had to be involved in cleaning it resulting in many public servants being charged for defrauding the system (South Africa. Provincial Department of Social Development, 2010, pp.1-2).

(c) Affordability and sustainability

The affordability and sustainability of social grants should be understood in the context of the country’s fiscal capacity. The issue of affordability has both a short-term as well as a longer term dimension (IDASA 2008, p.7). The variability of social protection spending decisions is indicative of different views about affordability and political determination. To effectively sustain the social security system requires significant fiscal commitment and it may oblige the state to redirect existing government expenditure. The social grant programmes costs the state in excess of 3% of its national income (IDASA 2008, p.7). Pauw and Mncube (2007, p.14-16) confirm that the national share of social assistance transfers grew from 2% of GDP in 2001/02 to about 3.3% in 2006/07. Within this growth, as of January 2006 the Eastern Cape had the second highest number of beneficiaries (19%) after KwaZulu-Natal with 23%.

Van der Berg *et al.* (2005, p.22) referred to the reality of the affordability question and warned that as a poverty reduction strategy, social grants could well be reaching the end of its effective use due to the country's fiscal realities. Furthermore, there is a real danger that the social grants and the extension of the safety net will create dependency.

Considering these challenges, Triegaardt (2006, pp.1-2) asks the following critical questions: what is the merit of continuous expansion of the safety net for children; are programmes like the Extended Public Works Programme not better options; and is the social security expansion the most effective and sustainable means to break the cycle of poverty? These are critical issues that need to be considered by policy makers. But it is clear that social grants are making a real difference to income poverty in the province.

Critical for the province is to note the following demographic facts in line with age distribution (Stats SA, 2012): that children make up about 44.3% of the population of the province; over 70% of children in the province are poor; more than 80 000 households are headed by children; approximately two thirds of all children in child-only households live in Limpopo, Eastern Cape and KwaZulu-Natal; 50% of children in the province and Limpopo live in unemployed households; the province also has 18% of children living in households with high rates of child hunger and it has more than 73,4% of children living in households that fall below the poverty threshold. Young economically active people are needed to drive and build the economy of the province. However the reality for South Africa in 2011 was that the youth unemployment rate was 35.9%, while in the Eastern Cape it was higher than 60% for ages 15 – 19 years, and higher than 50% for ages 20 – 24 years (ECSECC, 2012, p.1).

3.5.2 Non-income poverty

This subsection discusses the progress made with non-income interventions implemented by the provincial government towards poverty eradication. Programmes like electrification, piped potable water, and waterborne sanitation are intended to impact on non-income poverty. Woolard (2002, p.2) also refers to the fact that poverty is multi-faceted as it includes impaired access to water and sanitation ...” Bhorat *et al.* (2001, p.69) highlighted the value of ‘service delivery’ claiming that “access to water, electricity and sanitation impact directly on the quality of life”.

These are not the only non-income poverty indicators targeted by the government; other important instruments to alleviate non-income poverty include the delivery of health and education services which fall beyond the scope of this dissertation.

3.5.2.1 Electricity provision and usage

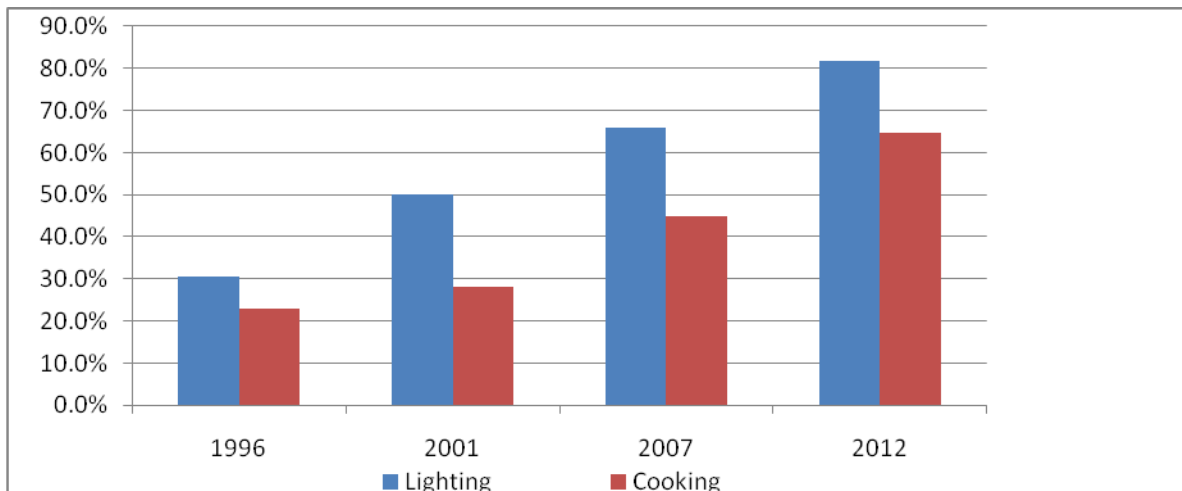
As explained in Section 2.4 the universal access to electricity has become a constitutional obligation to the citizens of the country. Oppenheim and MacGregor (2008, p.6) make the point that electricity is not a luxury that is extended to poor people, but an essential prerequisite to improve the quality of life.

They explain further:

“Helping families meet essential needs, such as that for energy, helps them work toward addressing their other fundamental problems, such as hunger, ill health, lack of education, unemployment, and industrial relocation. In this way, energy assistance complements other public policy anti-poverty efforts. Energy is such a significant part of a family’s budget – some elderly recipients who live on fixed incomes pay as much as 35% of their annual incomes for energy bills that it is impossible to address poverty without addressing energy use and costs. Helping families permanently reduce their energy bills also attacks the hopelessness that poverty imposes. It teaches that one can overcome poverty by planning, rather than passing it on to one’s children” (Oppenheim and MacGregor, 2008, p.6).

The government subsidizes electricity for all citizens through the indigent policy at a point of service, making it a cheaper, healthier and safer alternative in comparison to the dangerous and environmentally unfriendly paraffin, candles and wood. During the transitional period and the 1996 Census the Eastern Cape Province had only a small proportion of African households using electricity as the main source for lighting and cooking. According to Stats SA (1998, p.41) about 59% of urban populations were using electricity for lighting compared to 9% non-urban. Stats SA (1998, p.42) also noted that the Eastern Cape proportionally has fewer households compared to other provinces that use electricity as the main source of energy for cooking. Figure 3.8 below illustrates the provincial average growth in electricity usage for both lighting and cooking between 1996 and 2012.

Figure 3.8: Percentage of households using electricity for lighting and cooking in the Eastern Cape, 1996 – 2012



Source: Own calculations using Census 1996 and 2001, Community Survey 2007 and General Household Survey 2012 data (Stats SA 1996; 2004a; 2007a; 2013).

The figure above indicates that about 30.5% households in the province used electricity for lighting during 1996 and 23% used it for cooking. The usage for lighting increased significantly towards 2001, to 50%, whilst usage for cooking steadily increased to 28%. The 2007 figures show a significant jump for both lighting and cooking to 66% and 44.7% respectively. Significant increases over the following period up to 2012 were observed at 81.9% for lighting and 64.7% for cooking. This indicates that government is making commendable progress towards the alleviation of non-income poverty. As explained in Section 2.2 the increased provision of electricity also generates other external benefits.

Compared to the delivery of water and sanitation access electricity and post connection service is much more reliable. Although usage is limited and often augmented by other traditional fuels like paraffin and fire wood – the subsidy system (indigent policy) is well targeted. The government, through ESKOM, is giving poor citizens energy-saving light bulbs and education whilst the municipalities are providing energy-saving geysers etc. (Education and Training Unit. N.D).

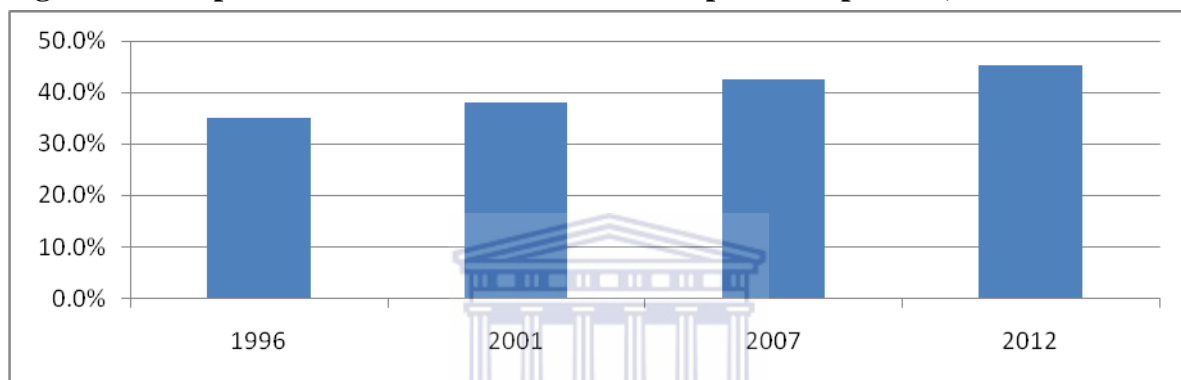
3.5.2.2 Water and sanitation

As discussed in Section 2.5, the delivery of water and sanitation is an important instrument to alleviate non-income poverty.

(a) Water

Census 1996 showed that by the time of the survey only 5% of African households living in non-urban areas had a tap inside their houses, and only 9% had a tap on site. The national figures for similar communities were 12% and 21% respectively. The data from the 1996 Census further revealed that 45% of the African households in non-urban areas used water from a river or a stream and 6% obtained water from borehole (Stats SA 1998, p.44). Furthermore about 21% of the African non-urban household travelled at least one kilometre to reach water source, i.e. a river, stream or borehole.

Figure 3.9: Proportion of households in Eastern Cape with tap water, 1996 – 2012



Source: Own calculations using Census 1996 and 2001, CS 2007 and GHS 2012 data (Stats SA 1998; 2004b; 2007a; 2013).

Figure 3.9 above provides a picture of a steady and promising improvement in the provision of water. During 1996 the combined percentage of households with piped water in their yard and inside their dwellings was 35%. This position improved to 38% in 2001, to 42.5% in 2007, and to 45.2% in 2012.

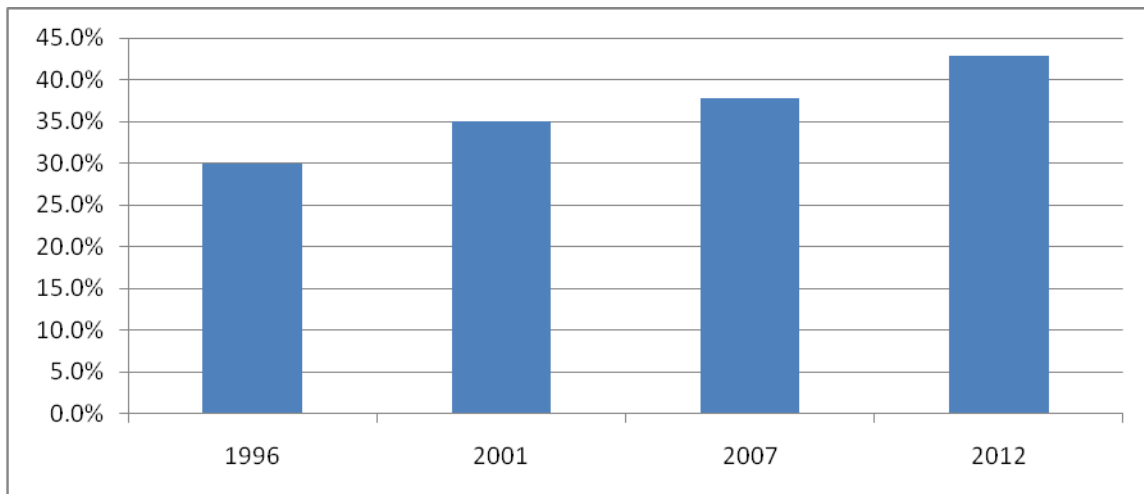
(b) Sanitation

Stats SA (1998, p.45) provides a background to the distribution of sanitation facilities in the province. Census 1996 indicates that the distribution of facilities was done along racial and spatial lines by the previous South African governments. While the more sophisticated and hygienic flush toilets inside the dwelling were found in about 98% of White households only about 13% African households had the same toilet facilities.

Census 1996 showed that about 34% of urban African households were using toilets inside their dwellings compared to only 2% in non-urban households. Non-urban households mostly used pit latrines, with about 66% households using them compared to only 13% in urban households. Stats SA (1998, p.45) further presents a picture that borders on a catastrophic

health hazard for the people of the province, as it claims that nearly 27% non-urban African households in the Eastern Cape were without a toilet facility in comparison to only 3% of urban households (Stats SA 1998, p.45).

Figure 3.10: Proportion of households in Eastern Cape with flush toilet, 1996 – 2012



Source: Own calculations using Census 1996 and 2001, CS 2007 and GHS 2012 data (Stats SA 1998; 2004b; 2007a; 2013).

Figure 3.10 above illustrates the results of the effort by the Eastern Cape Province towards improving sanitation facilities and access for the poor by type of facility.

By 1996 only 30.2% households were connected to flush or chemical toilet. The percentage for flush toilets alone shows the worse form of deprivation as it is far lower than the given figure. Even when considering the improvement to 35.0% in 2001, the improvement was not impressive. Access to flush toilets increased from 30% in 1996 to 35% in 2001. However it increased at a decreasing rate in 2007 (37.8%) when compared to the 2001 improvement and it picks up again to 42.8% in 2012. The GCIS (2007) indicated that the province had a backlog of 58 474 households still using bucket toilets which were intended to be totally eradicated by the end of the same year (GCIS, 2007). The government had set itself a target to eradicate the bucket system by the end of 2007 (See section 2.5.2.3). this target was also to be achieved through the provision of housing which is an integrated system supported by all basic services needed to ensure quality of life (See section 2.5.3.1).

Overall for urban areas, an improvement was observed for flush toilets connected to public sewage system (31.4% to 35.1%) and flush toilets connected to septic tank (2.2% to 3.1%). In addition further positive changes were recorded in rural and peri-urban areas regarding a decrease in households using pit latrines with ventilation (from 5.6% to 2.5%) and without

ventilation pipes (from 21.8% to 0.4%) and a decrease in households using bucket toilets, from 5.7% to 2.8%.

The decrease in the proportion number of households using pit latrines with ventilation pipe and households using pit latrines without ventilation pipe needs further scrutiny and verification of the statistics provided in the CS (2007) as it defies the logic of events in the province. Since 2006 the Eastern Cape has been in a drive to provide rural communities with access to ventilated improved pit (VIP) toilets, which still continues. The decrease in the number of households with no access to toilets at all, from 31.3% to 23.5%, is logically supposed to translate into an increase in those with access.

Unfortunately many townships in the Eastern Cape were cheated and given VIP latrines even when national government pronounced that the bucket system should be abolished. However the standard guidelines for townships indicate that all townships with bucket system should be connected to the public sewage system and non-urban areas provided with VIP toilets (Yose, 2010).

3.5.2.3 Challenges to service delivery

(a) Bureaucratic capacity and failure

Municipalities are challenged by lack of skills and the required level of competency (technical and political) necessary for efficient delivery of services. Most of the time municipalities do not have resident qualified and certified electricians to manage complex emergencies and applications, which leave residents stranded for long periods during electricity blackouts. Employee turnover rate especially of senior personnel with critical technical skills is extremely high in municipalities because of job insecurity and targeting by politicians.

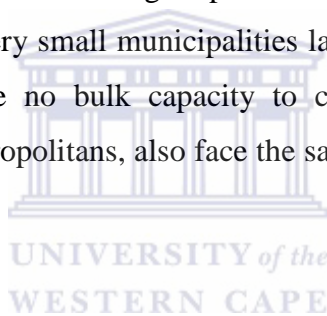
Various municipalities have been disclaimed in their audits by the Auditor General South Africa.²⁰ Fraud and corruption are listed as reasons for failure to delivery services efficiently and where service delivery happened, the quality is often in question. The following are the common areas of bureaucratic failure in municipalities: financial management (unauthorised

²⁰ Alfred Nzo District and OR Tambo municipalities, Baviaans, Emalahleni, Great Kei, Intsikayethu, King Sabata Dalindyebo, Nxuba, municipalities were all disclaimed in the 2010-2011 with repeat findings audit and no improvement in all audit areas. Chris Hani District municipality and Mbiza municipality had Averse audit outcomes with repeat findings (AG SA 2012).

expenditure, fruitless and wasteful expenditure) predetermined objectives and non-compliance with laws and regulations. The problem is aggravated by weaknesses in internal controls.

Water connections or reticulation and sanitation are fully assigned to the local government sphere. However, because of poor workmanship, incompetent officials, abuse of procurement system (rent seeking) and poor maintenance of infrastructure many taps in townships and especially in rural areas are dysfunctional. Where sanitation and water related infrastructure is vandalised it takes long for the municipality to fix encouraging even further vandalism. Not every household should get free water beyond what is prescribed but townships are yet to be metered and billed for the additional water usage, sanitation services, rates, (fire, refuse removal, availability of electricity etc.).

The province is ~~progressing~~ coming from a huge backlog when it comes to social infrastructure. In addition to the challenges presented by topography, sparse spatial distribution of households, the very small municipalities lack technical skills and in the case of the provision of water, have no bulk capacity to connect all the citizens. The big municipalities, including the metropolitans, also face the same challenges, however not at the same scale (GCIS, 2007).



(b) Financial constraints

The most common complaint is under-funding of both operations and human resources.

This seriously impact on the ability of poor performing municipalities to get additional funding given the conditions prescribed with Division of Revenue Act (DORA), no 28 of 1998, and Conditional Grants.

Given that most of the service delivery items are infrastructure, such as the provision of electricity, water and sanitation that are financed mostly through conditional grants, the stringent rules, actually intended to encourage good performance, unintentionally negatively affect service delivery, especially to poor households. Many municipalities do not have a sufficient tax base to augment the fiscal transfers from central government.

(c) Rational behaviour of politicians

At times the most common reason for bureaucratic failure is interference by politicians especially on procurement and plans. Councillors influence service delivery towards their

political constituencies to guarantee re-election given that they are elected directly by their communities²¹. Service delivery items like water, sanitation, electrification, etc. are mainly delivered through the tender process. This is often a source of conflict between municipal senior officials and councillors as interests clash leading to fraud and corruption and ultimately poor or delayed service delivery (see section 2.2.4.3). This has serious consequences for the aim to alleviate non-income poverty through efficient delivery of basic services.

(d) Data challenges

Similar to the challenges outlined above in Section 3.5.1.3 related to social grants, availability of data surfaced as a primary challenge to the alleviation of non-income poverty as well. The provincial government at both sub-national spheres does not have central repository for electricity connections. At the point of implementation both the national government through ESKOM facilitates mostly rural connections, whilst in urban townships a concurrent system applies resulting in different plans and perceptions by the different institutions about backlogs. At times the national government through ESKOM have a better understanding of the backlogs and post-installation service.

In urban areas both ESKOM and the Municipalities are providers of electricity and are both responsible for the provision of electricity. This means that some are billed by ESKOM whilst some are billed by municipalities. In the latter case ESKOM supplies the municipality with electricity and the municipality distributes. However in rural areas ESKOM is solely responsible for both infrastructure and connections. Due to this the municipalities do not have any record of rural demand, whilst they struggle with understanding urban backlogs. There does not seem to be sharing of information nor capacity to fully determine the scope of backlogs.

Data challenges have far reaching implications for the sustainability and future cost of providing free basic services. For example, municipalities do not have accurate data on the cost of providing the services to indigent beneficiaries, thereby encouraging free riding.

²¹ Section 117 of the Municipal Financial Management Act no. 56 of 2003, notes, “no councilor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotation, contracts or other bids, nor attend any such meeting as an observer.” Section 118 further defines interference as follows: “no person may – (a) interfere with the supply chain management of a municipality or municipal entity; or (b) amend or tamper with any tenders, quotation, contracts or bids after their submission”.

Because of these challenges many settlements and households are still waiting in long queues without any certainty of when they will get their services.

Regarding sanitation, whilst the standard for townships is waterborne sewerage systems many are still yet to move from bucket and VIP toilets because of a scarcity of water resources or bulk services. In some municipalities the challenges are topographical in nature requiring large investments because of rocks and mountains to be drilled.

3.5.3 Asset poverty

As stated in Section 2, the Constitution assigns the responsibility to implement housing policy to provincial governments. Provinces are directed to formulate appropriate and coherent policies, conduct research to determine the socio-economic needs and to effectively use resources assigned to them for this purpose (Eastern Cape. Office of the Premier, 2006; hereafter referred to as OTP, 2006).²²

The South African government distinguishes between eleven housing unit types. Of these categories four are usually used to represent inadequate housing i.e. caravan or tent, informal dwelling/shack in the back yard, informal dwelling/shack not in back yard and traditional dwelling/hut/structure made of traditional material. However more attention and urgency is usually placed on the informal dwelling/shack not in back yard. This is a serious challenge to the programme given that the biggest need is in rural areas as the majority of poor people reside in traditional, rural villages. This also distorts demand or number of households needing intervention and leads to inconsistency in the methods used to arrive at figures for demand.

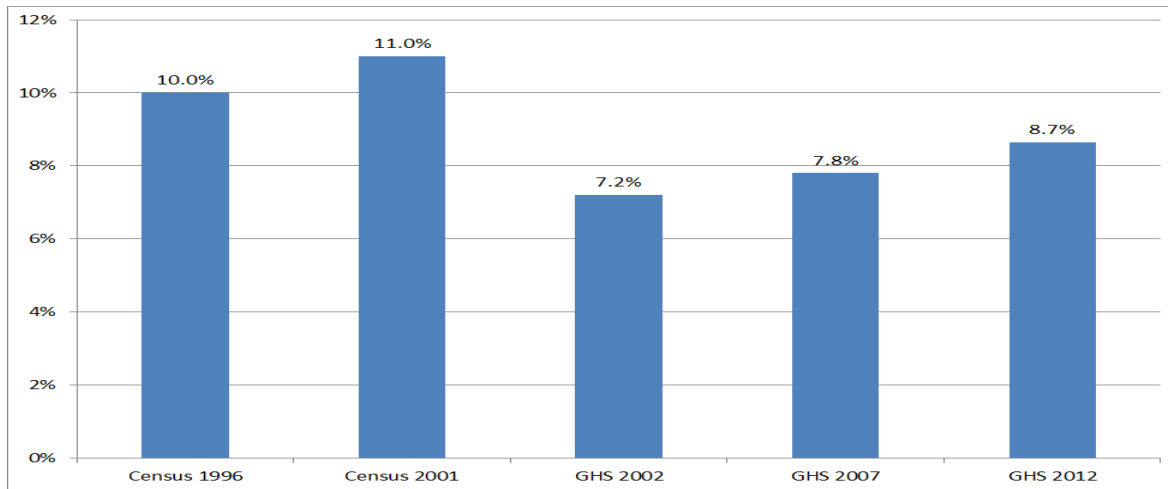
3.5.3.1 Quality of housing

Figure 3.11 below shows the percentage of people residing in informal dwellings in the province, between 1996 and 2012. It further indicates that in 1996 about 10% of the people lived in informal dwellings which had increased to 11% by 2001. A different data source (GHS) indicates a significant drop (7.2%) below both the 1996 and 2001 census figure. The GHS data indicates only a 1.5% growth in about ten years, between 2002 and 2012. When comparing 1996 to 2012, the figure indicates a 1.3% drop in the percentage of people staying in informal dwellings. The slow rate at which this decreased is evidence to the challenges to housing delivery in the province. De Nobrega (2007, p. 5) concluded that at the current rate it

²² A report commissioned by the Eastern Cape Office of the Premier on progress made on service delivery - Service Delivery Rapid Assessment.

would take the province 30 years to eradicate the 800 000 backlog in homes mentioned in the Provincial Department of Human Settlement’s 2007-2010 Annual Performance Plan.

Figure 3.11: Percentage of people staying in informal dwellings in the Eastern Cape



Source: Census 1996 and 2001; General Household Survey 2002, 2007 and 2012 data

During the 2008/2009 financial year the Eastern Cape Department of Human Settlements was placed under Section 100(1) (a) of the Constitution due to administrative failure. The report also highlights an important observation for this study, that in the three consecutive financial years before the constitutional intervention the department experienced a decline in expenditure in delivery of the housing programmes (South Africa. Department of Human Settlements, N.D). This further explains the increase in people staying in informal dwellings in the period 2002 to 2012.²³ Furthermore the Eastern Cape Department of Human Settlements (2012, p.34) disclosed that the number of informal dwellings increased by approximately 100 000 over a period of ten years, and that there were 679 248 people living in informal dwellings in 2012. This figure indicates that about 10% of the province’s population resided in informal dwellings (rural dwellings excluded).

Van Wyk (2009, p.6) referring to the study on service delivery commissioned by the Eastern Cape Office of the Premier (2006) also provides a similar concerning picture: that in out of the total number of households (1 332 348) in the province, about half (715 726 or 53.72%) resided in inadequate dwellings. The report further indicated that even before 1996 South Africa as a whole had a shortage of 1.9 million housing units. About 10.1% of that demand (or 195 632 units) was in the Eastern Cape (OTP, 2006, p.220). The Eastern Cape Department of Human Settlements (2012, p.34) further reported that in 2012 the number of

²³ Most of the people in informal dwelling outside the yard are people displaced by poverty in rural areas in search for jobs in urban towns and cities.

informal dwellings was estimated at 194 071, which represented an estimated increase of 17% in the number of informal dwellings in the province in ten years.²⁴

3.5.3.2 Houses built and completed: 1999/2000 – 2009/2010

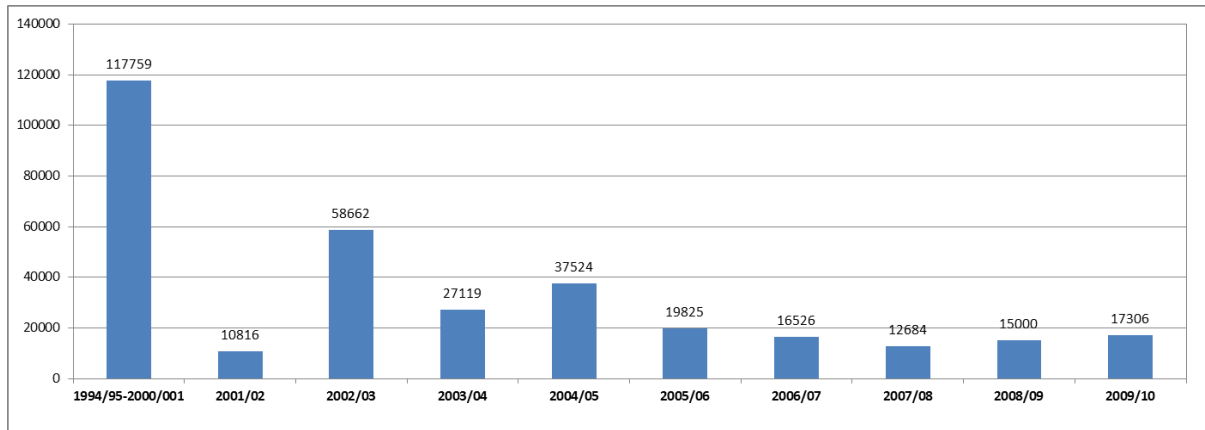
In 2006 the Eastern Cape Office of the Premier commissioned a study on the performance of the Provincial Housing Programme (PHP) from 1994 – 2005; this revealed that 127 500 housing units were completed from 1994 – 2004, with a further 105 000 housing units nearing completion. The PHP claimed to have provided 167 920 housing units for the period 1994 – 2001, against a planned 232 106 units. However, after considering various anomalies in the information management of the housing programme, the study confidently estimated the actual number of units completed to be closer to 110 000 units (Bank, 2006, p.39). De Nobrega (2007, p.4) quoting the Eastern Cape 2007/08 Budget Statement 1 (page 30, Table 9) puts the number of houses built and completed between 1994 and 2006 at 268 754 units.²⁵

Figure 3.12 below provides a dynamic view of the progress made in delivering the government housing programme between 1994 and 2010. However the figures provided by the department do not give a disintegrated figure for the period 1994/1995 – 2000/2001. An average of 7 years provides 16 823 units per financial year. The figure indicates a lower than average (10 816) achievement for 2001/02. In 2002/03 it shows a spike, to 58 662 completed units. The 2003/04 figure (27 119 units) is a significant drop from the previous financial year. After the 2004/05 spike (37 524 units) an almost consistent trend starts to emerge between 2005/06 to 2009/10, with the exception of 2007/08 (12 684 units).

²⁴ The estimated total number of persons in informal housing, based on a mean of 3.5 persons per household, was 582 020 in 2001 and 679 248 in 2012 (Eastern Cape Department of Human Settlements 2012 p.34).

²⁵ Comparing the houses completed in 2006 (268 754) and the 1996 National estimated demand (195 632) and assuming that demand was static, the province would have had an oversupply of ~~been over by~~ 73 122 units.

Figure 3.12: Housing units completed and in process of completion in the Eastern Cape, 1999/2000 – 2009/2010



Source: own calculation from the National and Provincial Department of Human Settlements data

Besides the two exceptional years, the province was unable to deliver 20 000 units per financial year. This is concerning given that housing demand is not static as it grows in line with poverty, unemployment, migration and population growth etc. If nothing happens to unblock delivery challenges, the department and the provincial administration would be overwhelmed by backlogs.

3.5.3.3 Challenges to the delivery of housing

(a) Bureaucratic failure

Despite the legislation and process to be followed, the provincial government of the Eastern Cape failed to fully comply with developing appropriate provincial policies to support implementation. This is clearly a matter of bureaucratic failure. The OTP 2006 Report points to flaunting of standard regulatory requirements by contractors and developers. For example, according to the report, about 30% of the houses were built at 30m², smaller than the specified 40m². Many formal and informal reports indicated that majority of the houses built between 1994 and 2005 were of inferior quality with a significant number needing rectification. But what is even worse, is that the department consistently underspent its housing conditional grants, indicating a lack of capacity to plan and spend. For many years the department dumped its housing budget on municipalities which did not have the required institutional mechanisms and capacity to manage a housing programme. In many instances this led to further rent-seeking and corruption, resulting in a misallocation of resources.

(b) Corruption

Corruption by government officials continued to be a cancer that plaques the housing programme leading to poor productivity and workmanship as well as poor quality because

some developers and their contractors cut corners and used cheap or inferior material and unskilled labour. This resulted in technical inefficiency as well as allocative inefficiencies in the sector. Thousands of projects and units remain unfinished and vandalised. In 2005 it was established that only 13% of projects in the Project Management Team reports were complete, and a further 16% were either new or running, while almost 70% of projects experienced problems. One of the problems associated with such delays was increasing project costs, because funds allocated to projects were not able to keep pace with inflation. A very grave weakness was the failure to plan for the internal rural-urban migration patterns, which might have had a bearing on the pace of delivery by the province (OTP, 2006).

In an interview, a senior official of the department (2009) mentioned poor planning and project management capacity as a serious matter needing urgent attention for the department to finally deliver on time, quality, specification and budget.

(c) Data problems

Part of this problem is lack of accurate information on both the demand for housing and backlog. Available data is full of inconsistencies making it difficult to track and account for progress made. The province has two government data sources; the Project Management Programme (PMP) responsible for overseeing the housing development and the Department of Local Government, Housing and Traditional Affairs (DHLG&TA). One of the many difficulties in housing statistics is to reconcile the figures provided by PMP with those generated by DHLG&TA.

Understanding the demand for the various housing programmes is very important for planning and determining capacity and challenges. However, lack of consistency in policy application hinders the ability of government to fully and accurately estimate demand for housing. In addition to the unavailability of a baseline for demand for houses, especially by poor households, the province and the department continued to neglect keeping accurate records of the number of low-cost houses completed over the period under investigation i.e. 1994 to 2007.

The situation is made worse by absence of historic data on housing by the previous South African government, and the homeland and self-governing states. As much as the province had failed to determine demand from the onset, three important historic factors need to be highlighted: i.e. that the majority of the poorest households is in rural areas, that very few

people owned houses or had security of tenure in urban areas and that no statistics or data were kept on African people by the previous governments.

3.6 SUMMARY AND CONCLUSION

This chapter focused on poverty in the Eastern Cape as it is one of the poorest provinces in South Africa. It firstly presents a demographic profile and explains that the majority of the population is black, in rural areas, women and children. These are also the groups that are more seriously affected by poverty as women, children, rural households and the poorly educated suffer the most and have the highest poverty headcount ratios. Even on a provincial comparison the Eastern Cape is in a relatively worse position as measured by poverty headcount.

An increasing number of households in the Eastern Cape benefited from the various social grants. However the social security programmes initially came with many administrative problems caused by absence of baselines and institutional capacity to contend with increasing numbers and fraud. However, since the establishment of SASSA the situation improved significantly and social grants which are well targeted are making a significant difference to income poverty in the province. This is also endorsed by both the decrease in adult and child hunger. A large proportion of the population of the Eastern Cape is relying on social security grants as their sole means of survival.

Although significant progress has been made with the delivery of services there are many challenges facing especially the municipalities. It is clear that efficient delivery of services is constrained by instance of government failure, corruption and fraud, together with some serious data problems.

The chapter finally focused on the delivery of housing as example of intervention to alleviate asset poverty. Notwithstanding the fact that data sources are not reliable, it is clear that a significant proportion of poor households in the Eastern Cape still live in inadequate housing. Furthermore, the province has not made sufficient progress with the delivery of housing. The under-spending of the budget allocated for housing seriously constrains the possible impact that the delivery of housing could have had on asset poverty.

CHAPTER FOUR

GENERAL CONCLUSION

The main focus of this study was on intervention by the South African government to alleviate the extreme poverty that it inherited from the apartheid regime. The South African social and political landscape was marred by extreme racial inequalities, poverty and unemployment at the start of the new democracy.

Chapter One presented the conventional problem statement, objectives and explained the methodology and structure of the study. Throughout the different administrations, poverty relief was cited as a main policy priority. The main objective of this study was to determine whether government intervention through various policy strategies and programmes, have made any difference to the quality of life of the really poor.

Chapter Two presented the theoretical framework, explaining the primary role of government in a market economy. It posits the argument that governments should do more than just providing a legal framework within which all economic transactions take place. Governments' role in today's mixed economy related to the correcting of market failures, some of which can be directly related to poverty alleviation. This role relates to the conventional functions of government of allocation, distribution and stabilization. According to economic theory the stabilization and distribution functions are clearly competencies of the central government. Because the sub-national governments are closer to the people they are best suited to carry out the allocation function. In the cause of carrying out its functions government's progress on poverty alleviation is impacted on by the behaviour of politicians, bureaucrats and interest groups through rent-seeking and outright fraud and corruption at times.

The second part of chapter two firstly presents the dire poverty situation at the start of the new democracy in terms of income, non-income and asset poverty. Non-income poverty relates to lack of the basic services of electricity, water and sanitation and asset poverty relates to lack of housing or land tenure.

As soon as the democratic government came into power it incrementally developed and implemented various institutions, policies and programmes to target poverty eradication. The first was the RDP in 1994 as a socio-economic policy strategy that mentioned specific targets

to attend to the needs of the poor. The Constitution confirmed and entrenched the responsibility of government to secure the basic human rights of all its people.

This study focused on various social grants to attend to income poverty, on the delivery of electricity water and sanitation to make a difference to non-income poverty and on the delivery of housing to assist with asset poverty. The targeting of social grants improved significantly after the establishment of SASSA. The delivery of services was assigned to local governments. The different social security grants, the delivery of basic services and the provision of low cost housing had been vigorously pursued as front line poverty eradication instruments.

Chapter Three presented the situation of the Eastern Cape, which is the second poorest province in the country, as a case study in order to determine whether government intervention since 1994 made a real difference to the quality of life of the poorest. It first sets out to dissect the demographic and poverty situation in the Eastern Cape Province to determine the profile of the poor. A picture that immediately emerges is that the Eastern Cape is an extremely rural province, with the majority of its inhabitants being Black. Unemployment is very high, thus income poverty is extremely high, and the majority of the population is young and female and with extreme household asset poverty.

From the analysis of the poverty situation of the Eastern Cape it is clear that some institutions and programmes have significantly impacted on poverty at household level. Especially government's social security policy has made a great difference to the quality of life of many poor households. The incidence and frequency of both adult and child hunger is decreasing which can partly be ascribed to the successful rollout of the social security grants. The poverty head count ratio has gradually come down. Many more people are now provided with shelter and security of tenure. Under the government's integrated approach to service delivery providing a person or household with a house has meant that access to clean drinking water, sanitation that meets the countries minimum standards and electricity were simultaneously provided.

However, there are serious problems with allocation efficiency and local government's readiness to be responsible for efficient service delivery can be questioned. This points to lack of capacity in the sub-national spheres to take on and properly execute the allocation function. The sub-national governments' performance has been dismal in providing quality and on time and quality services to voters. Whilst the Provincial Department of Human

settlements is failing to meet its annual targets and clean the housing backlogs it continues to under-spend in billions, whilst it also fails to fully account for its expenditure. Many municipalities are also failing to meet their targets in terms of providing access to clean water, electricity, and availing land and bulk service for the human settlements programme. As a result many citizens in the province still take to streets complaining about slow pace or bad quality of service delivery and about fraud and corruption by government officials as well as rent-seeking by other parties. This shows that there are serious problems with service delivery, which seriously affect the non-income poverty situation of many households in the province. National government should therefore be cautious of assigning and committing fiscal resources and functions to sub-national governments when they do not have the necessary capacity.



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APPENDIX 1: LAND POLICIES UNDER APARTHEID

The paragraphs below briefly discuss some of the key historic policies in the plethora of such over the history of oppression in South Africa which were instrumental in the dispossession of land from Black South Africans peasants and brought about the demise of African agricultural production.

1. **Ceiling on Black land ownership:** In 1894 Cecil John Rhodes, Prime Minister of the Cape Province at that time, limited the area of land that could be held by each Black farmer to about ten acres. This land size was barely sufficient even for subsistence and closed any prospects for Black South African farmers to participate in the market. The rationale was to protect White farmers from Black competition and to secure cheap labour for mines, (Hendricks & Fraser, 2003).
2. **The Glen Grey Act of 1894:** This Act was introduced to proclaim individual tenure with varying plot sizes ranging from 3 to 25 hectares (ha). A deferent preferential Land Tenure system which, Quitrent rights, was introduced for Black Africans who were in the favour of the government and her Majesty the Queen. These rights were however allocated at a fee to the qualifying individuals in the favour of government (de Wet and Bekker 1985).
3. **1913 Native Land Act:** this Act followed after the 1894 Glen Grey Act. Its objects were to intensify the distraction caused previous Acts and to satisfy the growing land demand by White South African and cheap labour demand by farms and the growing industrial sector at that time. This Act reinforced the objective of enforcing the legislative distraction of Black African Commercial farming. Before this Act certain Black African farmers could lease additional land from White farmers in some parts of Transkei and the Orange Free State. This Act also divided South Africa into territories. From this Act only 7% of the total South African land was allocated for the Bantustan regions.
4. **The 1923 principle of Separate Residential Areas:** This was the first attempt to separate residential areas in urban areas. Prior to this, Black African who provided labour in White only areas also resided in those areas or closer. The principle was established to separate racial groups in urban areas lived.
5. **The Development Trust and Land Act of 1936:** This Act therefore formalised the 1923 principle of Separate Residential Areas. It expanded the land allocated to the Bantustans to 13% from the 1913 Native Land Act which allocated then only 7%. The same 1936

Act completely outlawed Black purchase of White land. To the Black homeland people this Act meant that the communal land administered by Chiefs and Headmen in consultation with local magistrate could only allow user rights and access but no land market (Hendricks, and Fraser, 2003).

6. **The 1950 Group Areas Act:** this Act was promulgated to separate races that lived together forcing more Black people to live on small areas of land. It racially segregated areas according to residence and business and controlled interracial property actions.
7. **The Bantu Authorities Act, 1951:** Because the 1950 Group Areas Act had outlawed the Black Africans from White only areas, this Act was promulgated to allow for the development of tribal, regional and territorial authorities as reserves set aside for Black Africans.
8. **The 1959 Bantu Self Governing Act:** this Act was enacted to establish Bantustans and establish political homeland for Black South Africans (Ntsebeza and Hall 2007; James 2007). These territories were established along racial lines with isi Xhosa and Se Sotho speaking groups put in what became Transkei and Ciskei; those speaking se Tswana in Boputhatswana; Venda and Tsonga speaking Venda in what was called the TBVC states; and self-governing states which included Kwa Zulu, kwa Ndebele etc.

APPENDIX 2: NATIONAL INSTITUTIONS TO SUPPORT THE IMPLEMENTATION OF THE NEW HOUSING POLICY

To support the implementation of the housing mandate the Act gives effect to the establishment of institutions and subsidies. Such institutions and subsidies are critical to enhancing access by the poor to houses through setting supporting norms and standards for delivery. They also facilitate and support local government, public and private sector participation in discharging the mandate.

The South African Housing Rights Commission

The commission established in terms of Chapter 9 of the Constitution 1996 of the Republic of South Africa. This Commission is responsible for monitoring housing rights as enshrined in the Constitution including the rights to adequate housing.

The DoHS (2009) provides the rationale for the Commission as follows, "... to promote greater equity in the housing finance market, legislation has been introduced that requires financial institutions to disclose their mortgage lending activities. This and other alternatives are currently under consideration".

It needs to ensure that prioritisation is according to policy with people earning less than R1500 getting the majority of the subsidies. The Commission also needs to ensure that implementation complies with the policy priorities that are consistent with those of Habitat Agenda. According to the Commission's 2010 Annual report "Over 92% of subsidies granted have gone to households earning less than R1 500 per month".

National Home-Builders Registration Council (NHBRC)

Most of the people intended to benefit from the housing programme are very poor and don't have the capital and capacity to quality check the construction of their own houses. Because of this, the Department of Housing and the Government established the Council to protect the interests of the beneficiaries by regulating the home building industry.

Before NHBRC was established a section 21 National Home Builders Registration Council (Pty) Ltd company was established. This section 21 company only had the objective of promoting the common interest of persons, businesses and social groups involved in the home building profession through regulating the industry and had no focus put on the

consumers. A Council was then established in terms of the Housing Consumer Protection Measures Act, 1998 (Act No. 95 of 1998) (DoHS 2009).

National Housing Finance Corporation (NHFC)

Equally the banking sector regulations in South Africa have stringent lending requirements that are exclusionary especially to the very poor. To improve access for the many South African poor the government established the NHFC²⁶ in 1996 to provide “housing finance, project facilitation and technical assistance to private and public entities ensuring availability of housing stock for the target market” (DoH 1997). To sustain the affordable funding ability the NHFC mobilises the private sector and a larger range of organisations outside of government. In its own documents the DoH (1997) makes the following remark about the NHFC “The NHFC, in the affordable housing finance market sector, adopts a role of Innovator, Financier and Facilitator to ensure viable housing finance solutions; growth of sustainable human settlements; and mobilisation of relevant partnerships, through enhanced insights and knowledge gained”.

Given its role as a Financier, Facilitator and Innovator of affordable housing finance solutions, the NHFC is expected to “undertake funding as a wholesale intermediary to promote broader access to housing; underwrite the flow of wholesale funds to retail intermediaries (provide cover, security or guarantee) and specialise in identifying, assessing, pricing, monitoring and managing risks associated with the placement of wholesale funds with retail intermediaries” (DoHS 2009). It therefore has a developmental financial focus targeted at finding workable models on affordable housing finance for the low- to middle-income beneficiary target market.

National Urban Reconstruction and Housing Agency (NURCHA)

Different from the others the NURCHA targets to support contractors and developers who equally find it difficult to access financial backing from the banking sector. The contractors and other sector players regard it a partner of choice for construction companies because of its approach which also includes coaching support additional to financing. To confirm satisfaction of contractors with NURCHA support the contractors had the following to say “You can take on your next contract with confidence knowing that NURCHA can provide

²⁶It identifies its target market as every South African household with a monthly income ranging between R1 500 and R15 000. This market sector finds it hard to access bank-funded housing finance. This has been given the necessary exemption through the Banks Act and legally a public entity that is fully regulated by the Public Finance Management Act (PFMA) (DoHS 2009).

you with the bridging finance and construction support necessary to ensure that your project will be successful and profitable” (DoHS 2009). For a contractor to qualify to benefit from its comprehensive support it has to go through a means test.

Rural Housing Loan Fund (RHLF)

This fund is amongst the first to risk loaning to the poor households in South Africa something unheard of in the history of home loan financing. It was established by the Cabinet and the National Department of Housing as a Section 21 company in 1996 and started operations with a contract under the NHCF. First operations were funded through a grant fund from the German Development Bank, the “Kreditanstalt für Weiderrbaufbau” (KfW).²⁷ It was established as a comprehensive development finance institution whose obligation was to provide an affordable and flexible home loan access low income earners. The RHLF provides housing microloans using intermediary or retail housing finance lenders. This meant that individuals and small contractors had to go through the intermediary or retail housing finance lenders to borrow funds from RHLF.

By 2002 the RHLF became independent and became fully in charge of managing its own risk and mandate like any retail finance Bank. The RHLF has not been doing badly, as reflected by a statement in their 2010 Annual Report:

“The RHLF started life managed under contract by the National Housing Finance Corporation, but in 2002 became independent and free standing, charged with managing its own risk and mandate. Like all retail finance operators and banks, RHLF’s clients have been hit by bad debts, declining disposable incomes and more complicated repayment systems. Nevertheless, not one of its clients was liquidated during the worst small banking crisis ever to hit South Africa, in 2002 and 2003. In spite of conservative provisions for doubtful debts, RHLF remains financially sound and we believe this is a sustainable model for providing funding ...”

The RHLF has done a great job towards supporting the primary objectives of the National Housing Act and the BNG. It has done a great deal towards stimulating job opportunities through local investment in small contractors and a sector that has always been outside of the potential financial institutions clientele. By including this category of clientele it contributed

²⁷The initial grant for rural housing by the German government’s development finance agency, KfW was DM50-million in a period of seven years funded in the excess of 45 000 house improvements by both homeowners and small local builders.

positively contributing to the national goal of poverty alleviation as more than 250 000 people's lives were changed through jobs created directly and indirectly by developing infrastructure in rural areas alongside settlement development.

Housing Development Agency (HAD)

One of the sticky challenges facing the housing programme in general in South Africa is access to land that is cheap to buy and develop. Challenges are mostly with land that is claimed under the Land Policy and its programmes and land in private hands. The challenge with Land Tenure Claim is its pace and the challenge with private land is the price asked by private market which is also a challenge for the former.

To deal with this challenge the government through an Act of Parliament (Act 23 of 2008) established the Housing Development Agency as a national public entity. It accounts to the National Minister of the Department of Human Settlements through a Board. Its overall objective is to avail well located land available to develop sustainable human settlements.

The HDA has the following very important objectives in the expediting the adequate housing provision process: “identify, acquire, hold, develop and release well-located land and buildings and provide project management support and housing development services”. In order to guarantee that objectives of the National Housing Act are met the HDA:

- “Ensure that residential and community developments are sustainable, viable and appropriately located land;
- Ensure that job creation is optimised in the process of residential and community development;
- Introduce and manage a land inventory and information system;
- Ensure that community participation takes place” (DoHS, 2009).

APPENDIX 3: HOUSING PROGRAMMES

Part 3 of the National Housing Act 107 of 1997 sanctions the provincial government through its MEC for Human Settlements to “...do everything in its power to promote and facilitate the provision of adequate housing in its province within the framework of national housing policy”. This subsection therefore provides a brief outline and discussion of key provincial government programmes and subsidy options to facilitate attainment of the aspirations of both the National Housing Act 1997 and the Constitution.

Integrated Residential Development Programme (IRDP): This programme is about facilitating the development of integrated human settlements in well-located areas that provide convenient access to urban amenities including places of employment. It also aims to achieve social cohesion. The IRDP acquires land and provides serviced stands for a variety of land uses including commercial, recreational, schools as well as clinics and also residential stands for low, middle and high income groups. The municipality acts as a developer and submits a project application to the MEC making use of pro forma procurement documents, agreements, and/or contracts when applying for a project and the implementation thereof. This programme is based on approved housing chapters of municipal Integrated Development Plans (IDP) and reservation of funds for project development agreed upon by the MEC and the Mayors in terms of the multi-year housing plan (see section on IDP in 3. as it relates local plans at municipal level).

Upgrading of Informal Settlements Programme (UISP): This programme is about removing and upgrading informal settlements which are common in urban areas due to poor people who flock to cities in search of a better life. It provides such people with secure tenure and access to emergency services as well as basic services and housing. It finances creation of serviced sites only. Municipalities identify informal settlements for upgrading and apply for funding from the Department of Human Settlements for projects. The funding is based on the number of persons that qualify for assistance and may include funds to facilitate community participation, empowerment and project management purposes.

Rural Housing Subsidy – Communal Land Rights: This programmes targets beneficiaries residing in areas of communal tenure and where traditional leaders allocate land for settlement to households or persons. It requires that tenure rights first be confirmed through the processes prescribed by the Minister of Rural Development and Land Reform. For this programme subsidies are only available on a project bases but can be flexibly applied to meet

real needs. The department of Human Settlements puts it as a prerequisite for the allocation of subsidies under the Programme where a beneficiary community member has to provide proof of uncontested land tenure rights (DoHS, 2009, pp.8-9).

Rectification programme: The demand for housing is also expressed through a new instrument called a Rectification programme that targets houses from pre1994 and those post 1994 to before the introduction of NHBRC enrolment (DoHS, 2009, pp.10-11). This programme makes funds available for the rectification and renovation of houses affected by poor workmanship cutting corners by unscrupulous contractors and developers.

