

Fast Facts

for Local Government

Issue No 5/2010 / May 2010

Visit our website: www.sairr.org.za
or www.eumunicipaloutreach.org.za



European Union

Friedrich Naumann STIFTUNG FÜR DIE FREIHEIT



South African
Institute of
Race Relations

Politics

Contents

• Labour

Employment and unemployment over 10 years. 2-3

• 'Rainbow Index'

The ANC sees the proverbial pot of gold at the end of the rainbow as lying in a national democratic revolution and ambitious new forms of social engineering. Liberals believe it lies rather in the maintenance of political and economic freedoms. The Institute's new 'Rainbow Index' tracks developments in ten policy areas and scores the country's performance on each. Analysis and scores for the first 15 years of democracy are contained in a new book, *Chasing the Rainbow: South Africa's Move from Mandela to Zuma*. These scores are also reflected here, along with the scores accorded the country in 2009/2010. 4-23

• Fast Stats

24

Please note our new contact details:

Street address
2 Clamart Road
Richmond
Johannesburg
2092

Postal address
P O Box 291722
Melville
Johannesburg
2109

Fax
(011) 482-7920
(011) 482-7690

Telephone
(011) 482-7221

Email*
sairr@sairr.org.za
*unchanged

THE RAINBOW INDEX

With the financial support of the Belgian Embassy, the Institute has established a new annual monitor of political and economic freedom: the Rainbow Index. This covers ten vital policy spheres, dubbed the 'ten pillars of democracy'.

Key events in 2009/2010 relevant to the first five pillars, which range from democratic governance to racial goodwill, were covered in the April 2010 issue of *Fast Facts*. Key developments concerning the remaining pillars are covered here. These five pillars deal with the effectiveness of government as well as the country's record in promoting growth, advancing enterprise, liberating the poor, and encouraging good citizenship.

An analysis of all ten pillars during the first 15 years of ANC rule is contained in a new book, *Chasing the Rainbow: South Africa's Move from Mandela to Zuma*, shortly to be released.

The table below shows, firstly, the scores assigned to South Africa's performance on the pillars in the first

15 years of democracy. It also shows the scores accorded the country in 2009/2010.

The high score accorded *Individual rights and responsibilities* (65%) is a tribute to the country's Constitution and the record of the courts in upholding guaranteed rights. It also demonstrates that the Government has not tried to amend the Bill of Rights or circumscribe the Judiciary's role in enforcing it.

The low score given to *Liberation of the poor* (21%) is mainly because government initiatives such as social welfare and public works have built dependency on the State. The real need, by contrast, is to empower the destitute to escape poverty in the same way as everyone else — by earning their own living.

— **Anthea Jeffery**

	15 years	Last year
Democratic governance	51%	45%
The rule of law	48%	37%
Individual rights and responsibilities	61%	65%
A vigilant Press and civil society	64%	61%
Racial goodwill	52%	55%
Effective government	29%	26%
Growth-focused policies	35%	32%
Scope for free enterprise	49%	45%
Liberation of the poor	25%	21%
Good citizenship	32%	30%

"This document has been produced with the financial assistance of the European Union as well as the Friedrich Naumann Foundation for Liberty.

The contents of this document are the sole responsibility of the South African Institute of Race Relations and can under no circumstances be regarded as reflecting the position of the European Union."

Job trends over ten years

LABOUR MARKET TRENDS: FIRST QUARTER 2001 – FIRST QUARTER 2010

	2001	2009	2010	Change 2010 vs 2001		Change 2010 vs 2009	
				Number	Proportion	Number	Proportion
Total population aged 15–64 years^a	27 265 000	30 987 000	31 350 000	4 085 000	15.0%	363 000	1.2%
Total economically active	16 575 000	17 820 000	17 113 000	538 000	3.2%	-707 000	-4.0%
Proportion 15–64 economically active	60.8%	57.5%	54.6%	–	-10.2%	–	-5.1%
Total not economically active^b	10 690 000	13 166 000	14 237 000	3 547 000	33.2%	1 071 000	8.1%
— discouraged work-seekers ^c	1 725 000	1 215 000	1 839 000	114 000	6.6%	624 000	51.4%
— other	8 965 000	11 951 000	12 399 000	3 434 000	38.3%	448 000	3.7%
Proportion 15–64 not economically active	39.2%	42.5%	45.4%	–	15.8%	–	6.9%
Total employed	12 494 000	13 636 000	12 803 000	309 000	2.5%	-833 000	-6.1%
— formal sector (not agriculture)	6 984 000	9 449 000	8 974 000	1 990 000	28.5%	-475 000	-5.0%
— agriculture (formal and informal)	968 000	738 000	650 000	-318 000	-32.9%	-88 000	-11.9%
— informal sector (not agriculture)	3 353 000	2 150 000	2 009 000	-1 344 000	-40.1%	-141 000	-6.6%
— private households	1 188 000	1 299 000	1 169 000	-19 000	-1.6%	-130 000	-10.0%
Total unemployed	4 081 000	4 184 000	4 310 000	229 000	5.6%	126 000	3.0%
Proportion 15–64 unemployed	15.0%	13.5%	13.7%	–	-8.3%	–	1.8%
Unemployment rate	24.6%	23.5%	25.2%	–	2.4%	–	7.2%
Labour market participation rate^d	60.8%	57.5%	54.6%	–	-10.2%	–	-5.0%
Labour absorption rate^e	45.8%	44.0%	40.8%	–	-10.9%	–	-7.3%

Source: Stats SA Labour Force Survey Historical revision March series 2001 to 2007, Statistical release P0210 pp8, 16; Quarterly Labour Force Survey Quarter 1, 2010; Statistical release P0211 4 May 2010 p2

a Due to rounding, numbers do not necessarily add up to total.

b Not economically active are persons aged 15-64 years who are neither employed nor unemployed in the reference week. This category includes students, home makers, people with illness/disability, too old/young to work, discouraged, and other.

c A discouraged work-seeker is a person who was not employed during the reference period, wanted to work, was available to work/start a business but did not take active steps to find work during the last four weeks, provided that the main reason given for not seeking work was any of following: no jobs available in the area, unable to find work requiring his/her skills, lost hope of finding any kind of work.

d The labour market participation rate measures the proportion of the working-age population that is economically active, since it distinguishes between economic activity (the employed plus the unemployed) and non-activity (including full-time students, homemakers, and pensioners).

e The labour absorption rate measures the proportion of the working-age population that is employed — in other words, all those who do any work for pay, profit, or family gain.

EMPLOYMENT BY RACE AND SEX, 2000–09

	2000	2001	2002	2003	2004	2005
African						
Male	4 630 000	4 292 000	4 507 000	4 493 000	4 739 000	5 078 000
Female	3 879 000	3 513 000	3 596 000	3 559 000	3 637 000	4 029 000
Total	8 509 000	7 805 000	8 103 000	8 052 000	8 376 000	9 106 000
Coloured						
Male	750 000	736 000	784 000	767 000	761 000	802 000
Female	625 000	646 000	609 000	659 000	649 000	663 000
Total	1 375 000	1 382 000	1 393 000	1 426 000	1 410 000	1 465 000
Indian/Asian						
Male	243 000	258 000	263 000	261 000	276 000	280 000
Female	144 000	144 000	157 000	156 000	154 000	166 000
Total	386 000	402 000	420 000	417 000	430 000	446 000
White						
Male	1 147 000	1 152 000	1 129 000	1 176 000	1 148 000	1 127 000
Female	919 000	919 000	891 000	887 000	901 000	890 000
Total	2 066 000	2 071 000	2 019 000	2 063 000	2 049 000	2 017 000
GRAND TOTAL	12 336 000	11 660 000	11 935 000	11 959 000	12 265 000	13 034 000
Male	6 770 000	6 438 000	6 682 000	6 697 000	6 924 000	7 287 000
Female	5 566 000	5 221 000	5 253 000	5 262 000	5 341 000	5 748 000
GRAND TOTAL	12 336 000	11 660 000	11 935 000	11 959 000	12 265 000	13 034 000

EMPLOYMENT BY RACE AND SEX, 2000–09 (CONTINUED)

	2006	2007	2008	2009	Change 2009 vs 2000	Change 2009 vs 2008
African						
Male	5 347 000	5 348 000	5 436 000	4 929 000	6.5%	-9.3%
Female	4 233 000	4 271 000	4 301 000	4 039 000	4.1%	-6.1%
Total	9 580 000	9 619 000	9 737 000	8 968 000	5.4%	-7.9%
Coloured						
Male	853 000	806 000	860 000	846 000	12.8%	-1.6%
Female	711 000	715 000	711 000	698 000	11.7%	-1.8%
Total	1 565 000	1 521 000	1 571 000	1 544 000	12.3%	-1.7%
Indian/Asian						
Male	291 000	298 000	290 000	285 000	17.3%	-1.7%
Female	174 000	165 000	179 000	165 000	14.6%	-7.8%
Total	465 000	463 000	469 000	450 000	16.6%	-4.1%
White						
Male	1 117 000	1 137 000	1 155 000	1 129 000	-1.6%	-2.3%
Female	873 000	869 000	912 000	884 000	-3.8%	-3.1%
Total	1 991 000	2 006 000	2 067 000	2 012 000	-2.6%	-2.7%
GRAND TOTAL	13 601 000	13 609 000	13 844 000	12 974 000	5.2%	-6.3%
Male	7 609 000	7 588 000	7 742 000	7 189 000	6.2%	-7.1%
Female	5 992 000	6 020 000	6 102 000	5 785 000	3.9%	-5.2%
GRAND TOTAL	13 601 000	13 609 000	13 844 000	12 974 000	5.2%	-6.3%

Source: Stats SA, *Quarterly Labour Force Survey, Quarter 4, 2009*, p2; *Historical revision September series 2000-2007*, p14

Effective governance

A key objective of the ANC's national democratic revolution is to 'democratise' all state organs by making them demographically representative and replete with deployed cadres. The result, given the skills shortage, is increasing incompetence in the discharge of the State's core responsibilities. These include the combating of crime, the provision of electricity, the maintenance and expansion of essential infrastructure, and the policing of the country's borders. So bad has performance become that the country merits a score of only 26% for 2009/2010.

Crime

In 2008/09, more than 2m crimes were committed, including more than 18 100 murders, 70 500 sexual crimes, and 204 000 serious assaults. There were also 121 400 armed robberies in which business was particularly hard hit. Truck hijackings went up by 15% from the previous year and robberies at business premises by 41%.

In 2009 heavily armed gangs began targeting shopping malls in increasingly audacious ways. 'These gangs don't see the authority of the police,' the Institute said. Dr Johann Burger of the Institute of Security Studies added: 'The availability of illegal guns has forever changed the face of crime in this country.'

'The police are currently in a state of crisis,' said the Democratic Alliance (DA) in April 2009. 'In almost every key area, standards are slipping and efforts to combat crime are becoming increasingly ineffective. At the heart of these problems is the ANC's disastrous policy of cadre deployment, which has seen skilled security experts replaced by political appointees. This has triggered a managerial crisis in the police, which has filtered down throughout the service to the most junior ranks.'

Of the crimes that are reported

(and many are not), only about a third are referred to court. Of these, somewhere between 10% and 15% result in guilty verdicts. According to the Mulweni Consortium (which was appointed to analyse the criminal justice system), 146 blockages currently impede the operation of the courts, including an understaffed prosecution service, poor time management, and inefficiencies in such basics as the recording of proceedings.

In March 2009 prisons were overcrowded by 43%, contributing to a recidivism rate estimated at 94%.

The Government's response

President Jacob Zuma regards the combating of crime as a priority. In September he told 1 000 police station commissioners: 'It cannot be business as usual... We do not have a normal crime rate... It is violent and abnormal and requires extraordinary measures... We have allowed our country's citizens to live in fear for too long.'

Reforms, he said, would include reintroducing military ranks, giving the police greater powers to use lethal force, increasing police personnel from around 180 000 to close on 205 000 over three years, beefing up the detective service, restoring

some of the specialist policing units earlier disbanded, and ensuring a new culture within the police by eradicating absenteeism, laziness, corruption, and 'the legendary loss of dockets'.

The minister of police, Nathi Mthethwa, pledged to use the army again to help patrol the borders, make policing more 'visible and vigorous', and strengthen crime intelligence. 'This [last] is the beginning of the value chain. If criminals know that you are very weak and can't manage crime scenes, that encourages them to get away with murder.'

Thus far, however, little has been done. Military ranks were reintroduced in April 2010, but this is unlikely to restore discipline. Changes to the law on lethal force remain pending amid concerns about unwarranted deaths at police hands. There is little evidence that intelligence, detective, or forensic skills have improved. The comprehensive review of policing problems undertaken by the Mbeki administration seems to have borne little fruit.

The 2010/11 budget accords an overall increase of 19% to the police, justice, and correctional services. However, South Africa already spends more on criminal justice than many other countries,

without much visible result. This problem also pertains throughout the public service.

The public service

Finance minister Pravin Gordhan said in June 2009: 'In many areas, Government spends more than comparable countries but the impact is less. Money is not the problem. It is how we spend the money.... In several sectors, budgets have grown exponentially but outputs have not increased.'

Reasons include fraud, corruption, and frivolous expenditure. In September Gordhan instructed departments to save R2bn by cutting back on travel, catering, cell phones, and other frills. However, in October a report by the auditor-general Terence Nombembe suggested savings would be hard to achieve when financial controls were so lax.

According to Nombembe, roughly 80% of national and provincial departments fail to keep the monthly records required by the Treasury, while some 40% of departments have no meaningful information at all. Hence, many departments do not know if they are over-spending or under-spending. Said Nombembe: 'We need to ask how credible... decisions [can] be made if information...is not reliable, and to what extent fraud and errors are taking place because of this lack of monitoring.'

National level

After Thabo Mbeki was ousted from the national presidency in September 2008, he warned Zuma it could be negative 'to remove...comrades...perceived as belonging to [his] faction'. The Public Service Commission (an independent body intended to promote efficiency, transparency, and accountability in the civil service) said a high turnover in

directors general could undermine stability, continuity, and service delivery. Yet, by October 2009, almost half of some 40 directors general had been replaced. Ten were acting, seven had been in place for fewer than ten months, and only eight had served longer than two years.

A DA report in December 2009 said close on 36 600 posts in 29 departments remained vacant, largely because of affirmative action. In addition, it took 20 months on average to fill public-service posts because of ineffective recruitment and appointment procedures.

Provincial level

Delivering the provincial budget review to the National Council of Provinces (NCOP) in September, Gordhan urged MPs to crack down on provincial public servants not doing their jobs. 'By not asking the tough questions, we collectively endorse poor performance,' he said.

Gordhan stressed that provinces must be made to account not only for what they had spent but also for what they achieved. Large sums were being wasted because the Government spent too much on everything: R40m for a R15m school, R26 for a R7 loaf of bread. On an annual state procurement bill of some R100bn, tens of billions of rands were being frittered away.

Municipal level

In July 2009, against a background of rising demonstrations against local government, *Business Day* columnist Anthony Butler wrote: 'National political leaders living in major metropolitan areas often underestimate the human impact of the relentless blackouts, overflowing sewers, substandard housing projects, and endemic corruption found in so

many local communities.'

Among the reasons for the malaise were the impossible and 'crazy' demands put on local authorities to provide 'free' water, 'free' electricity and local economic development. The skills base in many towns had also either collapsed or had never existed. 'Few local authorities boast the ideal triumvirate of an autonomous municipal manager, an experienced chief engineer, and a qualified financial officer.' In addition, 'the Municipal Structures Act allowed a mayor to govern in secret with a hand-picked executive committee' and the resulting 'exclusion of municipal managers and engineers from key decisions' had led to devastating backlogs and neglect.

Also in July, the minister of co-operative governance and traditional affairs, Sicelo Shiceka, said many municipalities were dysfunctional and were widely seen as 'incompetent, disorganised, uninterested, and ridden with corruption and maladministration'.

In October a report commissioned by Shiceka said 'political meddling and in-fighting had brought many municipalities to the brink of collapse'. It added:

- factionalism in some areas has become 'akin to a battle over access to state resources, rather than ideological differences';
- a lack of financial controls has rendered the system 'open to abuse and fraudulent activity';
- 'a culture of patronage and nepotism is so widespread that formal systems of accountability are ineffective'; and
- 'a merciless growth' in backlogs, combined with the 'enormous weight of expectations', have 'created a degree of paralysis'.

The report urged 'rapid interventions to halt the downward

spiral of decay and mismanagement and quell rising popular anger'. Regional and provincial ANC structures should be barred from appointing people to top municipal jobs. Tensions and mistrust between officials and councillors should be overcome, while fraud and corruption would have to be investigated and communication with residents improved.

In March 2010 Shiceka said he was pushing ahead with legislation that would prohibit party political office bearers (secretaries of local ANC branches, for instance) from becoming mayors or municipal managers. Municipal employees would also be barred from belonging to political parties. The law already precluded councillors or their families from doing business with municipalities and this rule would be strictly enforced.

In the interim, violent protests have taken place in many towns, while some ratepayers' associations have begun a rent boycott.

In March 2009 *Finweek* reported that ratepayers' associations in various small towns were refusing to pay rates to their local councils. Instead, they were paying the money into trust accounts and then using the funds to fix defunct services themselves. In Sannieshof (North West), for instance, residents had used such funds to restore water to the town and stop untreated sewage flowing into a river. Another 30 ratepayers' associations were withholding rates, while 40 were preparing to do so.

According to the National Taxpayers' Union (NTU), which has been advising ratepayer bodies, 200 ratepayers' associations were expected to follow suit. Said an NTU spokesman: 'It's not for lack of trying that ratepayers

have arrived at this point. Ratepayers' associations have got paper trails going back years documenting efforts to communicate with local councils, provincial ministers, and premiers, trying to alert them to service issues and trying to resolve them. Municipalities have ignored ratepayers, who are now showing their disgust.'

In March 2010 Shiceka told the Press: 'We have discovered that over 280 ratepayers' associations, which unfortunately are white organisations, have created a parallel government. They take the money instead of paying [it] to municipalities and put it into a trust account. That undermines the ability of municipalities to deliver services.' He urged them to engage with the Government instead.

Eskom

To avoid a repeat of the blackouts which cost the economy some R50bn in 2008, Eskom plans to add 40 000 megawatt hours (MW) to the national grid by 2025. It has already added about 4 400MW and is busy constructing two large power stations: Medupi in Limpopo and Kusile in Mpumalanga.

However, Eskom's operating costs have risen steeply in recent years, partly because it has often had to run existing plant very hard to meet demand. Construction costs at Medupi have also spiralled to roughly \$3 000 per KW, double the benchmark for coal-fired plants in developing countries. That Eskom's capital expenditure budget has risen from R87bn in 2006 to R400bn in 2009 shows it is 'out of control', said a former Eskom strategic adviser in January 2010.

In October 2009 Eskom applied to the National Energy Regulator of South Africa (Nersa)

for permission to raise electricity tariffs by 45% in each of the following three years. Following a public outcry, it trimmed this to 35% in each year. Economists queried why new plant could not be financed by debt and amortised over time.

In February Nersa granted Eskom an approximate 25% tariff increase in each of the next three years. The South African Chamber of Commerce and Industry (Sacci) said resulting job losses could total 250 000, while the Congress of South African Trade Unions (Cosatu) warned of strike action and protests. But Business Unity South Africa (Busa) said it was glad the increases had been confined to a level the South African Reserve Bank believed the economy could absorb.

In 2008 the Government appointed Bobby Godsell, a former chief executive of Anglo-Gold Ashanti, as Eskom chairman to help resolve the power crisis. But by October 2009, as Godsell reported to the board, Eskom executives had failed to address some 40 vital issues, including a national energy strategy and a funding model.

Eskom chief executive Jacob Maroga tendered his resignation, which the board accepted and Godsell publicly announced. But Maroga then changed his mind and gained Zuma's support for his 'temporary reinstatement', putting Godsell in an untenable position. In the end, it was Godsell who resigned amid a flurry of unfounded accusations about racism on his part. 'African executives are being persecuted by anti-transformation elements,' said the Black Management Forum (BMF).

An editorial in *Business Day* responded that Godsell's departure was 'disastrous for South Africa'. 'Who would have believ-

ed that the racist screaming and shouting of the BMF ...would trump concerns about whether South Africa's power supply was being competently managed?' (Maroga left Eskom thereafter and is now suing it for R85.7m in compensation.)

Despite the 25% tariff increase accorded it by Nersa and a R28bn loan from the World Bank granted in April 2010, Eskom remains concerned as to how to fund the Kusile plant. It has signalled an interest in selling a minority stake to private investors. But, as *Business Day* notes, no private investor is likely to be interested in investing \$10bn in a South African power plant over which it lacks control, especially given Eskom's dismal performance and the risk that construction costs will spiral further.

Roads, ports, and rail

In 1988 only 7% of roads were in poor or very poor condition but by 2008 some 60% of roads fell within this category and the maintenance backlog had risen to R200bn. The budget for provincial road maintenance will have doubled by 2012/13, but this increase comes off a low base and is unlikely to meet the scale of need.

Transnet, the parastatal responsible for rail and ports, is currently half way through a ten-year R160bn capital investment programme. In February 2010 it had spent R74bn in the past five years and was expected to invest R93bn over the next five years.

Much of the money has gone on widening and deepening the entrance to Durban harbour, constructing the new Port of Ngqura near Port Elizabeth (which began operating in October 2009), and expanding container terminals in Durban and

Cape Town. Some 300 locomotives and hundreds of wagons have been bought to increase rail capacity.

According to Transnet, efficiency and productivity have already increased and skills are being built up. According to Chris Wells, acting chief executive of Transnet, 'This means that, for the first time in decades, Transnet is poised to enable economic growth instead of constraining it.'

However, a recent survey shows many firms have yet to be convinced that Transnet can meet their rail haulage needs. About 46% of respondents said they would shift more than 20% of their goods to rail if capacity were adequate. At present, 80% of them still moved less than 10% of their goods by rail, despite this being 35% cheaper than road transport.

In October 2009 a spokesman for the motor industry complained that South Africa's ports charged ten times more than China's while their productivity lagged far behind global standards. The industry was thus seriously considering shifting to Maputo in Mozambique instead.

Border controls

In July two DA MPs reported that large stretches of the country's border fence had been stolen, flattened, or cut open. The situation was particularly bad on the Lesotho and Zimbabwe borders. The police seemed to have 'given up protecting the borders', which was fuelling stock theft, illegal immigration, and smuggling.

The DA also told Parliament: 'We have an average of 3 024 soldiers a day deployed abroad, but only an average of 575 soldiers a day deployed at home. Our 4 862km landward border is protected by 684 policemen.

Perhaps most shockingly, the police plan to spend more on VIP protection (R380m in 2009/10) than on borderline security (R225m).'

The DA welcomed a statement by defence minister Lindiwe Sisulu that the army would return to border duty, but called for 'concrete plans' not 'vague promises'. However, a correspondent for *Jane's Defence Weekly*, Helmoed-Römer Heitman, said the South African National Defence Force (SANDF) 'lacked the troops to take over border security', as Sisulu had suggested. The army was also 'unravelling' and its 'state of readiness was appalling'. It would also 'unravel ever more quickly as equipment ran out of useful life, pilots left for lack of flying and technical personnel, experienced officers retired, and good junior officers left in disgust', he said.

South Africa's score

Few international monitors cover all the issues relevant here. In 2008 *The Economist* Index of Democracy gave South Africa 77% for the 'functioning of government', while in 2009 the Kennedy School of African Governance gave the country 61% for 'safety and security'. However, such scores overlook the seeming helplessness of the police in the face of violent crime, pervasive skills shortages and poor financial controls at all tiers of Government, an infrastructure backlog amounting to some R500bn, and the State's inability to maintain border controls. Overall, the country merits a score of 26% for effective governance in 2009/2010, down from 29% in the first 15 years of ANC rule.

— *Anthea Jeffery*

Growth-focused policies

Rapid economic growth is vital to increased prosperity and the consolidation of democracy. However, South Africa has again fared badly on the five factors making for growth. It has not fully exploited the global economy, while public debt is up and inflation far from tamed. It has failed to improve savings or generate enough capital investment. Further *dirigiste* interventions seem likely to undermine market principles, while the Government has never been committed to growth as its overarching goal. Overall, the country merits 32% for growth-focused policies in 2009/2010.

Introduction

Sustained economic growth is vital because it helps provide a sure path out of poverty. Growth also promotes development, encourages political pluralism, and provides a stable base for the consolidation of democracy.

Growth in 2009/2010

The country's gross domestic product (GDP) shrank by 1.8% in 2009, while GDP per capita declined by 2.8%. This made South Africa 'the worst performing country in Africa', according to the World Economic Outlook of the International Monetary Fund. The 2010 *Budget Review* projects a pedestrian growth rate of 2.3% for the current financial year.

A formula for rapid growth

In 2008 a study called *The Growth Report* identified five factors crucial to success in generating sustained annual GDP growth rates of 7% a year or more. South Africa's performance in 2009/2010 is assessed against these five criteria. They are exploiting the global economy, maintaining macro-economic stability, achieving high rates of saving and investment, allowing markets to allocate resources, and making growth a policy priority.

Exploiting the global economy

Rapid growth rests firstly on exploiting the global economy by exporting into global markets and attracting foreign direct investment (FDI). FDI is particularly valuable because it brings technology and skills and often generates jobs and manufactured goods for export. However, South Africa performed poorly in both these spheres.

The country's exports fell by an annualised 55% in the first quarter of 2009, in the worst performance since national records began in 1960. Overall, exports declined by 21.4% in 2009 (but were up by 10.1% in February 2010 compared to the same month the previous year).

South Africa again fared poorly in attracting FDI for greenfields development. Though the total amount of FDI in 2009 was R48.3bn, the most significant portion of this inflow (R22.5bn) came from the purchase by Vodafone in Britain of a 15% stake in Vodacom from Telkom.

The deal brought foreign currency into the country but did not establish a new enterprise. In addition, the transaction was nearly derailed at the eleventh hour at the instance of Cosatu, which was apparently averse to some R6bn in empowerment benefits from the transaction

flowing to members of a rival political party, the Congress of the People (Cope). (At the time the deal was concluded, its BEE beneficiaries were leading figures in the ANC, who left the ruling party after Thabo Mbeki's ouster as national president.)

Though Cosatu's attempt failed and the transaction proceeded as planned, the incident further undermined South Africa's reputation among international investors.

In the latter half of 2009 there was significant portfolio investment into South Africa, amounting to some R107bn over the year. This helped finance South Africa's current account deficit, which averaged 4% of GDP in 2009. The need to keep attracting portfolio investment again helped to constrain a leftward shift in policy.

Macro-economic stability

Macro-economic stability is important because its antithesis (unsustainable public debt, high rates of inflation, and currency volatility) damages investment and limits growth.

For many years South Africa did so well in managing its public debt that it eliminated the budget deficit and generated small surpluses in the 2007 and 2008 financial years.

However, the global financial crisis has now reversed these gains. Said Jac Loubser, an economist, in November 2009: 'The recession has created nothing less than a fiscal calamity, with the gains made in 15 years of financial prudence and tight management wiped out in about 12 months.'

Pravin Gordhan's 2010 *Budget Review* sees the budget deficit peaking at 7.3% of GDP for 2009/2010 and declining to 4.2% of GDP over the next three years. To achieve this reduction, Gordhan stressed the need for the Government to confine spending to priority areas, cut corruption, and contain public sector wage increases. (Such increases took the public sector wage bill from R155bn in 2006/07 to some R259bn in 2009/10.)

Gordhan also urged an end to wasteful spending, saying: 'Too often, the culture in the public service and in SOEs [state-owned enterprises] is to ratchet up salaries, spend on frills, travel in luxury and spend more on marketing the agency than on fixing the service.'

Moody's and Standard & Poor's (S&P), international rating agencies, were initially sceptical of the Government's capacity to trim the fiscal deficit. S&P warned in January 2010 that the country could face a debt trap within a few years. However, revenue collected in 2009/10 exceeded Gordhan's expectations, bringing the budget deficit for the year down to 6.7% of GDP, while the ratio of public debt to GDP, at around 30%, is low compared to that in many Western countries.

Inflation

Between the 1930s and the 1970s, it became apparent that artificially lowering interest rates

to boost growth caused high inflation which negated earlier gains. From the 1980s, inflation targeting was thus widely used to keep inflation low and counter temptations to reduce interest rates to boost short-term growth.

Since 2002 the South African Reserve Bank has sought to keep inflation within a target band of between 3% and 6% a year. Its aim, as reserve bank deputy governor Xolile Guma said in May 2009, is to 'prevent money itself from becoming a major source of economic disturbance'. By contrast, 'with stable prices, entrepreneurs can plan and act, savers can save without fear of their savings being wiped out by inflation, and borrowers can borrow... at [predictable] interest rates'.

However, Cosatu and the SACP oppose inflation targeting and want lower interest rates to boost growth and jobs. Their objections grew from 2006, when soaring international oil and food prices pushed inflation out of the target band and the reserve bank raised the repo rate by five percentage points even though the cause of inflation had little to do with domestic demand. Cosatu blames the interest rate hikes, implemented from 2006 to 2008, for triggering South Africa's first recession in 17 years.

In December 2008, with the global economic crisis deepening, the reserve bank began lowering the repo rate again, reducing it by five percentage points by August 2009. Thereafter, the Bank held the repo rate steady at 7% for a number of months, saying inflation still exceeded the target range and might rise further.

In response, Cosatu urged the removal of the 'arrogant' Tito Mboweni as the bank's governor, demanded that the repo rate be cut to 3%, and staged demonstrations outside the bank to buttress this demand.

In November Mboweni was replaced by Gill Marcus. Meantime, Cosatu and the SACP stepped up further demands for the ANC to honour the pledges it had made (at Polokwane and elsewhere) to change the reserve bank's mandate to target jobs as well as inflation.

In January 2010, when Marcus left interest rates unchanged, calls for the nationalisation of the reserve bank soon followed. Gwede Mantashe, ANC secretary general and SACP chairman, hinted that the reserve bank might be nationalised in keeping with the aims of the Freedom Charter. Cosatu and the Young Communist League welcomed the idea, saying it would help reorient monetary policy and limit the malign influence of 'anonymous private shareholders'.

However, as *Business Day* noted, it was merely a quirk of history that South Africa's central bank still had private shareholders. These shareholders had no impact on interest rate decisions, for inflation policy was devised by the Treasury and implemented with the support of the Government as a whole.

The ANC downplayed reports that it wanted to nationalise the bank, saying the 'status quo remained'. ANC spokesman Jackson Mthembu said Mantashe had merely 'flagged' the issue. However, yet another call for nationalisation on top of many others caused further uncertainty.

In his 2010 *Budget Review*, Gordhan stuck both to inflation targeting and the established target band. He said the State had no plans to change the bank's mandate to include growth or employment goals because such considerations were already included within it. (According to the Constitution, the bank's role is to 'protect the value of the currency in the interests of balanced and sustainable economic

growth’.)

However, Gordhan was quickly forced on to the defensive by an angry union response. One trade union leader berated him for ‘talking Left while walking Right’, while Cosatu general secretary Zwelinzima Vavi threatened a general strike in October 2010.

Gordhan backed down, saying he had already written to Marcus outlining a ‘new’ and ‘expanded’ mandate for the bank. In terms of this, ‘growth and employment needs’ would have to be taken into account, along with various other factors. *Business Day* said that the bank now faced a difficult task in deciding which factor merited the most weight. A key benefit of its narrower focus — the anchoring of inflation expectations — might thus be lost.

In March 2010 Marcus went against the expectations of most economists by lowering the repo rate by 50 basis points. Inflation, at 5.1%, was then back within the target band but Eskom had been granted major price hikes, oil prices were rising, and the risk of higher inflation was real. Though the Press generally ignored this, it seemed likely that Marcus had yielded to pressure from the Left.

Currency volatility

In 2009 the rand was again highly volatile. In October 2008, under the impact of the global financial crisis, the currency fell overnight from R9.40 to R11.85 to the US dollar. But in 2009, as portfolio investment picked up, the rand rose 26% against the US dollar, firming to a best level of R7.20 in October 2009. At the time of writing, it stood at R7.54 to the dollar.

Cosatu demanded that South Africa follow China’s example by pegging the rand’s value at an artificially low rate to make the country’s manufactured exports

more globally competitive. But the director general of the National Treasury, Lesetja Kganyago, countered: ‘In policy making, you must accept there are things you do not control. The exchange rate is one, unless you have deep pockets. When the currency weakens and you want to intervene to protect it, you need huge reserves. And if the currency is getting too strong and you want to intervene, you are going to have to buy [foreign currencies]. Where do you get the resources to do that?’

In his budget speech in February 2010, Gordhan resisted populist pressures to fix the rand against any of the major currencies. Instead, the reserve bank would seek to counter currency volatility by building up foreign reserves, making verbal interventions, and reducing exchange controls. Wrote Quentin Wray in *Business Report*: ‘This will disappoint those trying to buy artificial competitiveness through the exchange rate rather than through productivity gains.’

Savings and investment

High rates of saving and investment are needed to expand the economic base and provide essential infrastructure. However, South Africa’s record in savings has been poor while public fixed investment has failed to meet the scale of need.

Since 1994 the ratio of savings to the disposable income of households has never risen above 2%, remaining far below the 14% peak attained in 1962. Since 2006 the ratio has been in negative territory. It hovered around -0.8% from 2006 to 2008, but improved somewhat to 0.4% in 2009.

The overall ratio of gross domestic savings to GDP peaked at 34% in 1980 while the trend since then has been downhill

almost all the way. In 2008 the ratio was 14.9%, while in 2009 it was only a little better at 15.3%.

As regards investment, in 1994 real gross fixed capital formation as a proportion of GDP stood at 15.2%, far off the Government’s goal of 25%. However, the ratio rose to 22.5% in 2008 and remained much the same (at 22.4%) in 2009 notwithstanding the recession.

The ANC often complains of an ‘investment strike’ by business. In fact, the private sector has contributed some 70% of overall fixed investment since 1994. In addition, private fixed investment has virtually tripled over the past 15 years.

The Government has long been promising to implement a major infrastructure expansion programme. The 2009/2010 budget brought anticipated expenditure on this to R787bn over three years, while the State said many of its projects were well under way. It nevertheless remains difficult, as Nedbank reports, to ‘match the R787bn to specific projects’. The Government’s own fixed expenditure has remained sluggish, but public enterprises such as Eskom and Transnet have been spending rapidly, mostly on new power plants and improvements to ports and rail.

The 2010 *Budget Review* increased the amount allocated to fixed public investment to R846bn over three years. The bulk of this spending (some R700bn) is expected to come from parastatals.

Market allocation

The private sector is robust and there remains considerable scope for the market allocation of resources. However, state monopolies inherited from the apartheid era continue in key sectors, while market allocation has been reduced since 1994 by a

number of *dirigiste* interventions intrinsic to the national democratic revolution (NDR) to which the ANC recommitted itself at Polokwane.

The ANC's allies in Cosatu and the SACP see the NDR as leading to a socialist (and ultimately communist) future. The ANC itself has publicly denied any commitment to socialism. However, it sees the global economic crisis of 2008/09 as proof of the failure of market forces and of the need for much greater state control.

In May 2009 Trevor Manuel, minister in the Presidency, said: 'The financial crisis has given regulators the fuel with which to exert more pressure on the corporate world. The period of deregulation has come to an end.' But he also urged a degree of caution, saying: 'We should be careful not to shift to the other extreme, where we tie companies up in so much regulation that they barely function.'

In its anniversary statement in January 2010 the ANC said the global financial crisis presented an opportunity to think differently about economic policy and the failures of 'an unfettered free market system'. It was 'determined to use this space strategically' to address structural flaws in South Africa's economy. 'Fundamental to the transformation of the economy is the need to eradicate apartheid production relations and bring about a more equitable ownership and distribution of wealth and income,' it said.

Since 2002 the ANC has been calling for a strong 'developmental state' to give direction to the economy. What it means by this has never been fully explained. According to Manuel: 'A developmental state is one that is determined to influence the direction and pace of economic development by directly intervening

in the development process, rather than relying on the uncoordinated influence of market forces to allocate resources.'

However, Cosatu and the SACP see a key function of the developmental state as being to 'roll back the capitalist market and construct elements of socialism', as Cosatu said at its annual congress in September 2009.

Since Jacob Zuma became president, no major policy changes have been made. However, calls for the nationalisation of the mines have frequently been made by Julius Malema, president of the ANC Youth League, who could (as *The Citizen* commented) be 'flying a kite to test the wind' for others. Ironically, despite its long commitment to nationalisation, the SACP has criticised Malema for seeking state control of the mines (see *Scope for Free Enterprise*).

At the same time, the ANC remains under constant pressure to allow its socialist allies to set the pace and direction of the NDR. In addition, Rob Davies of the SACP and Ebrahim Patel, with his strong ties to Cosatu, are busy adopting industrial and other interventionist policies which could do further damage.

Growth the priority

Attaining a high rate of growth requires a committed, credible, and capable government, which consciously chooses growth as its priority, takes steps to improve the business environment, and ensures that its interventions work to support the market economy rather than undermine it.

South Africa has fared badly here. Zuma's Cabinet is large, unwieldy, and divided, the economics cluster, in particular, having been splintered into so many pieces as to make coherent policy unlikely. By May 2010, the key question — whether Gordhan or

Patel was to decide macro-economic policy — had not yet been resolved.

The South African Chamber of Commerce and Industry has warned that business is alarmed over continuing uncertainty. This is partly why South Africa has yet to share in the vigorous economic recovery anticipated in other emerging economies 'Opaque and incoherent policy signals undermine local business confidence, investor confidence, and the pace of economic recovery,' the chamber said.

As the NDR shows, the ANC's emphasis remains on redistribution rather than growth. The Government has also failed to improve the business environment. Skills and productivity remain weak, regulation looks likely to be ratcheted up, and the infrastructure programme is not delivering on the scale required. In addition, despite the ANC's strong disclaimers, repeated calls from various figures in the ANC alliance for nationalisation have raised doubts about respect for property rights.

South Africa's score

In 2009 the Fraser Institute (Canada) and the Heritage Foundation (US) gave South Africa 64% for economic freedom, a key requirement for rapid growth. Measuring South Africa's performance against the five criteria for growth reveals further weaknesses. The country's earlier macro-economic gains are under pressure, while policy malaise and socialist rhetoric are undermining the business climate and the prospects for more rapid growth. Overall, the country merits a score of 32% for growth-focused policies in 2009/2010, down from its 35% score for the first 15 years of ANC rule.

— *Anthea Jeffery*

Scope for free enterprise

Economic growth rides on entrepreneurship, which can flourish only in a suitable enabling environment. But the business climate has deteriorated, largely due to the recent global and domestic recession. Other negative factors include over-regulation, poor skills and productivity, unrealistic policy prescriptions, and repeated calls for nationalisation from the ANC Youth League, in particular. South Africa's performance has deteriorated, bringing the country's score to 45% in 2009/10.

Introduction

Economic growth rides on entrepreneurship, but this can flourish only if core requirements are met. These include access to technology, capital, skills, and markets; secure property rights; adequate infrastructure; and effective action against crime. There must also be an enabling policy environment promoting business confidence.

Regulatory burden

The regulatory burden has grown markedly since 1994, largely because of the labour and racial laws introduced by the ANC to advance the national democratic revolution (NDR). Labour laws have increased the cost and inconvenience of employing people, helping to price the unskilled out of jobs. Affirmative action and empowerment laws have benefited only a small elite while reducing the country's investment potential and international competitiveness.

Competitiveness

In September the World Economic Forum (WEF) released its global competitiveness index for 2009/2010. South Africa was ranked number 45 out of 133 countries, the same as in 2008/09. It did well on market efficiency and business sophistication, but made little progress on what the

WEF called some 'enduring weaknesses'. These included labour market efficiency (where it ranked 90th), inflexible hiring and firing practice (125th), and 'the business cost of crime and violence' (where it came last).

All sectors of the economy also came under pressure from the global financial crisis and South Africa's first recession in 17 years.

Agriculture

Commercial agriculture contributes 3% to GDP, accounts for 5% of employment, and is vital to South Africa's food security. Under the impact of recession, agricultural production shrank by 3.2% from 2008 to 2009, while 149 000 jobs were lost last year.

In appointing his Cabinet, President Jacob Zuma split the land and agricultural affairs portfolio into two. Tina Joemat-Pettersson was appointed minister of agriculture, forestry, and fisheries, with Pieter Mulder of the Freedom Front Plus as her deputy. Gugile Nkwinti was made minister of rural development and land reform.

Organised agriculture welcomed this, seeing Joemat-Pettersson as an approachable hands-on leader with a sound grasp of commercial agriculture. In July Joemat-Pettersson warned that there would be no food security if commercial enterprises were

turned into subsistence farms.

At the same time, however, Nkwinti spoke out against the willing seller/willing buyer principle in land reform and hinted at large-scale expropriation. Despite doubts as to whether he would follow through on this, the Government's mixed messages were harmful.

White farmers began to show increasing interest in moving to other African states, including Mozambique and Libya, where governments seemed keen to use them to restore agricultural production. By October some 700 farmers (mostly from Mpumalanga and Limpopo, where 50% to 70% of farms are under claim) had moved to Mozambique.

Factors driving white farmers away, apart from land reform, include rising production costs, poor transport infrastructure, state control over water, and a 10.2% minimum increase in agricultural wages laid down by labour minister, Membathisi Mdladlana, despite major job losses in 2009. In addition, in March 2010, Nkwinti's department suggested that all productive land might be declared a national asset, which implied nationalisation.

The State was initially hostile to the idea of white farmers departing to invest their money and expertise in Africa. But it later embraced the idea, partly out of concern that competitors from

China, India, and other countries might otherwise snap up the best land on the continent.

In October Joemat-Pettersson said she now 'supported opportunities for white South African farmers' to help rebuild commercial agriculture across Africa. The Government was busy negotiating agreements with five countries to this end. However, as journalist Stephan Höfstätter commented: 'There is no point in exporting white farmers to revive dying state farms elsewhere only to replicate the same failures back home.'

Mining

The mining sector contributes 9.7% to GDP and more than 50% to South Africa's merchandise exports. The industry provides about 1m jobs and brings in foreign investment.

Mining production declined by 6.7% in 2009 compared to 2008, while some 50 000 jobs were shed in 2009. Had the sector not been undermined by the Mineral and Petroleum Resources Development Act (MPRDA), it would have been better cushioned against global and local recession.

How much the MPRDA has cost the country is hard to say but the Chamber of Mines states: 'If the South African mining industry had grown at a similar pace to its foreign counterparts from 2001 to 2008, another R50bn in real GDP and more than 40 000 mining jobs could have been created.'

Other concerns confronting the industry include electricity supply and costs, logistics choke points, freight labour relations, and skills shortages. Despite the value of South Africa's mineral resources, these factors erode the sector's competitiveness.

The mining sector also faces new royalty payments, increases

in regulation, and repeated calls from the ANC Youth League for nationalisation.

The Mineral and Petroleum Resources Royalty Act took effect on 1st March 2010. It requires all companies extracting minerals to pay royalties to the State at rates ranging from 0.5% to 7%. Royalties are calculated on the basis of gross sales less allowable deductions. Journalist Tim Cohen said some mining companies would now pay tax 'even where they had not made any profit at all'.

The regulatory burden is also set to increase under the Mineral and Petroleum Resources Development Amendment Act of 2008, signed by the president in 2009 but yet to be made operative. This gives the minister of mineral resources unfettered discretion to impose additional obligations on mining companies to 'promote the rights and interests of communities'. Far from giving companies more certainty as to their 'social and labour' obligations under the mining charter, as was intended, the act gives the minister the power to introduce any number of new requirements.

In addition, under a code of good practice gazetted in late April 2009, mining companies are (retroactively) required to ensure that empowerment deals transferring 26% of equity to BEE partners are paid off within two years. But such transactions have perforce been highly leveraged, while deals already concluded cannot easily be unpicked and reconstituted. Further, the new criterion seems to require mining companies virtually to give away major equity stakes to BEE partners.

The code also turns many of the mining charter's targets into binding obligations. For instance,

whereas companies previously had to 'aspire' to 40% black management by May 2009, the code (retroactively) turns this into a quota which must be filled. Failure to do so could lead to the cancellation of new order mining rights.

In February 2010, however, in an attempt to reassure the industry, mining minister Susan Shabangu told the annual mining indaba that the code is to be reviewed. In addition, the amendment act will not be implemented until all stakeholder concerns have been addressed.

The investment climate has also been damaged by calls from the ANC Youth League for the nationalisation of the mines. In July, the youth league said this step was required by the Freedom Charter and that the league would 'have a permanent problem' with any ANC leader who opposed this.

However, as calls for nationalisation became more frequent, various ANC leaders firmly rejected the proposal. 'We are definitely not going to nationalise the mines,' said Shabangu in July. 'The mines will not be nationalised despite "noises" from politicians,' said Tito Mboweni, governor of the South African Reserve Bank, in October. 'There is no such decision in the ANC to nationalise the mines,' said ANC secretary general Gwede Mantashe in November. Mantashe added that the Freedom Charter in fact called for the nationalisation of 'the mineral wealth beneath the soil' and this had already been achieved under the MPRDA.

The SACP weighed in too, suggesting that Malema's call for nationalisation was not 'a progressive socialist measure' but rather an attempt to use state resources to bail out struggling

BEE partners. 'Most mining houses would be relieved to sell their stakes to the State, as they would walk away with the cash, leaving all the risks of the declining mining sector in the hands of the Government.' This would be particularly helpful to 'BEE miners who had made losses due to the fall in share prices'.

Instead of nationalisation, the SACP urges the 'socialisation' of mineral wealth. Formal state control is less important than socialisation, which will give the Government 'effective control over the appropriation of the surplus', it says.

In February 2010 the youth league produced a discussion paper calling for nationalisation of the \$224bn mining industry via 100% or 51% state ownership, or some other form of state control. No compensation would be paid for unprofitable mines or those where major retrenchments had been effected.

Dismay at this document prompted Shabangu to assure the mining indaba that nationalisation was not on the Government's agenda. 'I can say in my lifetime there will be no nationalisation. Maybe when I'm dead and rest assured I'm not dying next week.'

The youth league accused her of lying, saying Shabangu in fact backed its demands. In addition, since the ANC was the centre of power, it was the party that 'gave direction to government policy and not vice versa'. 'Nationalisation of the mines will happen and not in the distant future,' it stressed.

Thus far, the youth league's interventions seems to have pushed the Government into showing more sympathy for the mining industry than was previously the

case. But calls for nationalisation have added to investor uncertainty and may have raised unrealistic expectations among the poor.

Manufacturing

Manufacturing contributes 15% to GDP. The sector was hard hit by the recession, output declining by 12.5% compared to 2008. Job losses were severe, totalling 202 000 in 2009.

In the second half of the year, rand strength restricted manufacturing exports. According to the minister of trade and industry, Rob Davies, other barriers included the high cost of capital, weak skills, poor infrastructure, and monopolistic pricing. He made no mention of high wages and poor productivity.

Early in 2009, the Government promised a rescue package to help struggling manufacturers. Through its *Framework Document* in February, it made 70 commitments to help in different ways. But by July there was little sign of any action.

The State's main focus was on a training lay-off scheme to which R2.4bn was allocated. Under the plan, instead of retrenching workers, firms were to send them for training for three to six months, after which the aim would be to reabsorb them into their jobs equipped with better skills. The recession could thus be used, said the minister of economic development, Ebrahim Patel, to 'reskill the South African workforce'.

However, in February 2010 it emerged that only 2 000 workers had benefited from the scheme since its start. It thus had little impact on skills development or job losses.

New industrial policy

In May Davies pledged to give 'new impetus' to the Government's industrial policy. *Business Day* cautioned against the old-fashioned notion that 'the Government could "pick winners" and then improve their fortunes by means of subsidies and incentives'. The State's own advisers, including Harvard University's Dani Rodrik, opposed this, urging that industrial policy focus on 'strategic collaboration with the private sector' to remove market distortions.

Davies finally unveiled his new industrial policy action plan (dubbed IPAP 2) in February 2010. However, this seemed largely to ignore Rodrik's advice. Instead, it identified 12 sectors which the State would support for their 'potential to fast track job-creating growth'.

Many of these sectors were the same ones Government had long been seeking to boost, including agro-industries, the motor and textile industries, and pharmaceuticals.

Davies added that South Africa was not benefiting enough from the Government's R840bn infrastructure programme as most requirements for this were being sourced from abroad. Hence, the Government would now foster local production of items ranging from locomotives to antiretrovirals and components for new power plants.

Davies also stressed the need to bring down the cost of development finance and increase tariff protection for vulnerable sectors. His overall goal was to create 2.5m jobs (of which 800 000 would be direct jobs) through state support for the 12 sectors.

Business Day commented that the Government was 'setting itself up for failure', for the plan was far too ambitious and 'not all

that new'. Former trade and industry minister Alec Erwin had punted increased local content in the infrastructure programme five years before, and firms would have pursued this in any event if it held advantage.

Davies had also laid great stress on the cost of finance, but this was not the key constraint. Far more important were 'red tape and regulation, the dearth of skills, uncertainty about global prospects, and local economic issues, such as electricity supply'.

In May 2009 Davies said tariff rates might rise to protect local industry. Where tariff levels were below those allowed by the World Trade Organisation (WTO), there was little reason not to increase them and the Government would have 'the guts and the will to do that'. However, raising tariffs will increase consumer prices without addressing poor productivity.

In March 2010 Patel launched his 'strategic plan' to create decent work and avoid de-industrialisation. This stressed the need to regulate labour broking, help finance emerging firms, expand infrastructure, and use local providers for state procurement needs.

Patel also mooted raising funds for development by requiring pension funds to invest 5% of their funds (currently some R70bn) in a state-issued development bond. However, Gordhan soon poured cold water on this idea, which thus may not proceed.

Services

The service sector, which contributes some 68% to GDP, was also hurt by the recession. In the finance sector, which contributes almost 22% to GDP, growth was anaemic at 1.3% in 2009, while retail sales were down 4.9% by value in 2009

compared to 2008. The construction sector grew by 8% in 2009, but cement sales were sharply down along with the value of building plans passed. The number of overseas tourist arrivals dropped significantly.

Performance in the sector was dragged down by a decline in disposable income, coupled with a sharp reduction in consumer spending and high levels of household debt.

Small business

Small businesses commonly fall into four categories: medium, small, micro, and survivalist. Businesses in these last two categories operate in the unregulated informal sector and often provide few jobs beyond self-employment. However, small and medium businesses contributed about 35% to GDP in 2009 and employed some 3.8m people. The SMME sector in South Africa is nevertheless much smaller than in other developing countries, where small business commonly contributes some 60% to GDP.

In the 2008 Global Entrepreneurship Monitor (GEM) survey, published in May 2009, South Africa ranked 23rd out of 43 countries. In South Africa 7.8% of those aged 18 to 64 were involved in small businesses, but the average in comparable countries was almost double that at 13.2%.

The survey showed a particularly high failure rate among start-up businesses, pointing to poor business skills and an inadequate enabling environment. This meant that little improvement had been achieved since 2001, when GEM had highlighted the skills shortage in the first of its reports.

In July another study showed

that SMEs had been hard hit by the downturn but were proving remarkably resilient: more so than large corporates. 'Make no mistake, they are bowed but not completely beaten,' said Arthur Goldstuck, principal researcher and managing director of technology research company World Wide Worx. Only 5% of SMEs were making a loss, whereas 67% regarded their enterprises as profitable. However, 24% were in the process of closing down.

In September the *SME Survey 2009* said crime again 'topped the list of worries for SMEs'. Other constraints included:

- sub-standard infrastructure;
- over-regulation;
- worries over power failures;
- government tardiness in paying its bills;
- the cost and availability of finance (though this remained less important than poor skills);
- the productivity and cost of labour; and
- empowerment demands.

South Africa's score

In 2008/09, South Africa ranked 45th out of 134 countries in the World Economic Forum's Global Competitiveness Index. On the World Bank's Ease of Doing Business Index, it ranked 32nd out of 181 countries in 2009. But such rankings underestimate ideological hostility to business, concerns about nationalisation, high crime rates, racial requirements, burdensome regulation, and bureaucratic incompetence. Overall, the business environment has worsened, bringing the country's score down from 49% in the first 15 years of ANC rule to 45% in 2009/10.

— *Anthea Jeffery*

Liberation of the poor

A caring state should help the poor escape destitution by providing good basic education and health care, improving living conditions, and removing barriers to labour and other markets. But in South Africa close on a million jobs were lost in 2009 while labour laws continue to price the unskilled out of work. Basic education and public health care remain in crisis. Proposals to restrict private land ownership are based on myths about land hunger and could worsen rural poverty. Social grants continue to deepen dependency on the State. South Africa's performance in liberating the poor has deteriorated, bringing the country's score to 21% in 2009/10.

Introduction

A part from crime, poverty and unemployment are arguably the biggest problems confronting South Africa. A caring state cannot neglect those living in slums, or those who are too ill or uneducated to enjoy their freedom. However, rather than targeting the destitute with 'wars on poverty', the state should help to liberate the poor from dependency and want.

Unemployment

Some 870 000 jobs were lost in 2009 and another 170 000 in the first quarter of 2010. This brought the unemployment rate on the strict definition (excluding discouraged people not seeking jobs) to 25.2% in March 2010.

Labour law

Labour laws contribute to joblessness by pushing up entry level wages and raising the costs and inconvenience of employing people. However, Cosatu has long resisted calls for reform by various ANC leaders.

In 2009 Cosatu went further, pushing for the banning of the labour brokers who help counter unemployment by placing people in casual jobs. In March 2010

close to 3.9m people (28% of the employed) had casual jobs.

In 2009, in a series of hearings on the proposed ban, Cosatu accused labour brokers of 'slave labour' and 'human trafficking'. However, the State has now distanced itself from Cosatu's demand, saying it seeks increased regulation of labour brokers instead. But if new regulations are made too onerous, unemployment is likely to grow.

To Cosatu's dismay, calls for labour market reform were revived in the 2010 *Budget Review*. Here, finance minister Pravin Gordhan noted that South Africa's labour regime 'raises costs and perceived risks to employers', making them 'reluctant to hire... workers when it is costly to dismiss poor performers'.

The *Budget Review* suggested various 'adjustments to regulation', including:

- 'cutting red tape' for small business;
- 'adjusting' minimum wages;
- introducing a wage subsidy for people aged 18 to 24; and
- 'relaxing protective legislation during probation' to encourage the hiring of the young and inexperienced.

Gordhan said 'organised labour must look beyond its existing

constituency — those with formal sector jobs — to act on behalf of all our country's workers, both those employed and those desperate for employment.'

However, Cosatu reacted angrily, raising questions as to whether Gordhan will succeed in implementing these proposals.

Public works

In the *Budget Review*, Gordhan said a simple reliance on faster economic growth over the next five years would create only 1m jobs. Hence, the Government would boost employment via an expanded public works programme (EPWP).

The first phase of the EPWP (from 2004 to 2009) created 1.6m short term jobs, exceeding its target of 1m jobs. The aim of the R52bn second phase (from 2009 to 2014) is to create some 4.5m short term job opportunities lasting 100 days on average. However, the palliative provided by the EPWP builds dependency on the Government and is unlikely to meet the scale of need.

Education and skills

Having divided the education portfolio into two, President Jacob Zuma appointed Angie Motshekga as minister of basic education (Grades 0 to 9) and

SACP general secretary Dr Blade Nzimande as minister of higher education (Grades 10 to 12, plus tertiary institutions).

Addressing 1 500 principals in August, Zuma said that education is his 'no 1 priority as it is the tried and tested route out of poverty'. But the quality of schooling in South Africa is so poor as to amount to 'a national crisis', as Dr Mamphela Ramphele, a former vice-chancellor of the University of Cape Town (UCT), said in May 2009.

In 2005 an evaluation by the Department of Education (DoE) found that some 75% of pupils entering Grade 8 'were not able to read, write, or do mathematics at the minimum level required'.

In 2009 a task team chaired by Professor Jonathan Jansen, vice chancellor and rector of the University of the Free State, said 'the culture of teaching and learning has disappeared in most rural and township schools'.

Also in 2009, the National Benchmarks Test Project, administered by Higher Education South Africa (Hesa), evaluated 13 000 first-year university students who had been among the first pupils to write matric under the new National Curriculum Statement (NCS), which is founded on the principles of outcomes-based education (OBE).

The Hesa benchmarks study showed that:

- fewer than half the students were 'proficient' in academic literacy skills;
- only a quarter had adequate quantitative literacy skills (such as understanding percentages and interpreting tables); while
- only 7% were proficient in maths.

Reasons for problems

South Africa spends more than 5% of GDP on education, but gets

little value for money. According to the *Budget Review*, reasons for poor performance include 'poor school management, inappropriately trained teachers, and a lack of basic resources in poor schools'.

Education expert Graeme Bloch blames OBE as well. He says it should be scrapped as it is 'impossible and unrealistic' and undermines the teaching of the basic skills of reading, writing, and arithmetic. Ramphele calls OBE 'a bone that stinks', adding that it has been 'tried and dumped in Britain, New Zealand, and other countries' and should be jettisoned in South Africa too.

Brahm Fleisch, another education expert, says the Government has realised that OBE is not working but finds it difficult to admit this. It is trying to build a sensible curriculum by providing teachers with much more guidance on daily lessons and ensuring all pupils have good textbooks that are regularly used.

However, little progress has been made. In August Motshekga acknowledged the need to 'get back to the basics and make sure our learners can read, write, and count as a bottom line'. The 2010 *Budget Review* set aside R2.7bn for workbooks in all 11 official languages for pupils in Grades 4 to 9, but these will not be ready in 2010.

FET colleges

South Africa has twice as many students enrolled in universities as in vocational colleges, while this ratio is reversed in many countries. The Government is trying to increase enrolment at Further Education and Training (FET) colleges, which Nzimande sees as his priority. 'The first thing... is to get those FET colleges producing good, old-fashioned artisans,' he said in May 2009.

However, pass rates at FET colleges remain low while Business Unity South Africa (Busa) has questioned the quality of FET training. It is difficult to encourage students to enrol at FET colleges 'when some are getting 0% in a range of subjects', it says.

According to Bloch, the skills sector remains 'quite frankly a mess'. Great effort has been put encouraging learnerships and on-the-job training, but little advance is evident. 'There is little co-ordination, less vision, and enormous debilitating bureaucracy.'

Past mistakes and future promises

Nzimande says that the Government should not have closed teacher training colleges. In addition, some of the mergers of third-tier institutions on which the State earlier insisted have created problems and may have to be reversed.

The *Budget Review* lists a number of 'measurable outcomes' the State is now expected to achieve. These include:

- 'improving the ability of children to read, write, and count in the foundation years';
- getting 'pupils and teachers in class, on time, learning and teaching for seven hours a day';
- 'increasing pass rates in literacy and numeracy to 60% from the current range of 25% to 40%';
- ensuring that 'a total of 27 000 schools are assessed by officials from the DoE'; and
- seeing to it that '175 000 pupils gain university admission passes by 2014'.

Jansen is sceptical, however. 'Exactly how will these things happen?' he asks. Despite recent efforts to improve literacy and

numeracy, the situation has in fact ‘grown worse’. Attempts to extend teaching hours or send inspectors to schools would encounter fierce union resistance. As for attaining an extra 65 000 university admission passes in four years, ‘this is another impossible goal for a school system on its knees’.

Health

Public health care is also in crisis. In July an international poll of public hospitals identified the South African public health care sector as languishing among the bottom three in the world.

In the same month, a report endorsed by an ANC committee acknowledged the failures of government health policy over the past 15 years and conceded that service levels had declined. ‘In many areas, access has increased but quality has deteriorated. There are also many public hospitals which experience management failure related to employment of incompetent managers,’ it said.

In mid-2009, in a series of articles on the South African health care system in the *Lancet* medical journal, AIDS expert Professor Hoosen Coovadia added: ‘Poor leadership and stewardship (taking responsibility) run like a ruinous cancer through the public health care system. Post 1994, many inexperienced managers were placed in positions of seniority and they have struggled to deal with major challenges, particularly human resource management. Incompetence within the public sector is widespread, and the Government has lacked the political will... to manage under-performance... Loyalty rather than ability to deliver has been rewarded. Leaders and managers have not been held accountable when mistakes have been made.’

The *Lancet* articles also noted that, although South Africa spends 8.7% of GDP on health care (more than any other African country), the results are worse than in many low-income countries’. In September Mark Bletcher, director for health policy in the National Treasury, said: ‘We are not achieving optimal value for money. We need to focus on management and we need to reinforce accountability and good governance.’

However, little has been done to improve the situation. The Zuma administration’s main intervention has been to change treatment protocols for HIV/AIDS so as to make anti-retrovirals available at an earlier stage in certain circumstances. This important change took effect on 1st April 2010 and is being funded via an extra R8.4bn for AIDS set aside in the 2010/11 budget over three years.

For the rest, the Government’s main aim is to introduce a national health insurance (NHI) scheme, the costs of which could prove crippling. In preparation for this, it is seeking to improve public health infrastructure via public-private partnerships.

The 2010 *Budget Review* sets ambitious targets for decreasing child deaths, increasing life expectancy, halving the prevalence of HIV among young people, and halving the number of new TB cases. These seem more like wish lists than ‘measurable outcomes’ likely to be achieved.

Land reform

The Government has been seeking to transfer 25m hectares (30% of commercial farmland) to black South Africans by 2014. However, by February 2010 only 6m ha had been transferred.

In 2008, when the State acknowledged that 50% of transferred farms had failed, the

director general of land affairs, Thozzi Gwanya, said there was little point in land reform which resulted in ‘assets dying in the hands of the poor’. Collapsed farms are now to be recapitalised, Gordhan having allocated R530m for this in the current budget. Stone Sizani, chairman of the relevant portfolio committee, says it is ‘encouraging that this kind of support will now be available to new farms handed over’. This is ‘a far cry’ from what happened before, when targets for the transfer of land were ‘based on the heart — not on facts’.

Perhaps out of concern about past failures, the 2010 *Budget Review* gave little extra funding to land reform. It said the Department of Rural Development and Land Reform had ‘adjusted’ its annual target for land redistribution down by 60% to an average of 300 000 ha a year, so as to bring the target into line with the money available. Hence, it will now take more than 60 years to reach the 30% target. The deadline for dealing with some 4 000 outstanding claims for land restitution in rural areas has also been postponed to 2020.

Sizani said that scaling back on land reform was ‘a thorny political issue’. However, the ANC now backed ‘a more pragmatic approach’ that focused on job creation, improved livelihoods, and ensuring transferred farms produced food. It did not want to ‘throw money down the drain by buying more farms that weren’t used productively’.

In March 2010, however, the picture seemed to change. By then it had emerged that 90% of all land reform projects had in fact failed, but Gwanya nevertheless unveiled a strategic plan proposing that all productive land be declared a national asset. This

implied nationalisation.

Agri-SA and opposition parties warned of devastating consequences for agricultural investment and the economy as a whole. The minister of rural development and land reform, Gugile Nkwinti, stepped in, saying his department had in mind a three-tier system of land tenure involving:

- qualified freehold for private land;
- leasehold for state land; and
- ‘precarious tenure’ for foreigners.

What limitations would be imposed on private land ownership was not explained. Nkwinti said he ‘had not spoken about any nationalisation of land, so let’s kill that debate’. But Agri-SA and others countered that the State ‘clearly intended to place limits on private land ownership’ and this in itself was cause for concern.

Limitations on private ownership might be in keeping with the State’s determination to make rural development one of its priorities. It hopes to generate large numbers of small-scale farmers able to produce enough food for household needs and for the market. However, small farmers are battling as input costs mount. In addition, as *Sunday Times* editor Mondli Makhanya noted in October 2009, the State assumes a huge pent-up demand for farming land among the black majority which simply does not exist.

Writes Makhanya: ‘We have been labouring under the myth that there is a land-hungry mass out there dying to get its hand on a piece of soil... But at the risk of being lynched, tarred and feathered by ideologues, I will posit that South Africans have very little interest in land... The

instinct of rural South Africans is to head for the city to seek employment and upward mobility there... It is time we took a leap into the future and stopped being governed by a sentimental attachment to a project that does not tickle the fancy of our rural population.’

Housing and water

In March 2009, the total number of houses completed or approved via the granting of a housing subsidy remained at R2.8m. By then, the proportion of houses with access to basic water infrastructure had increased from 62% in 1994 to 92%.

Most housing backlogs (up to 60%) are in urban areas. The Government thus plans to accredit more large municipalities to deliver housing programmes. Gordhan also stresses the need to crack down on corruption and the poor project management that has left houses without roofs and water schemes vulnerable to frequent breakdown.

Social grants

In January 2010, the child grant was expanded to children up to the age of 18. This is expected to bring the number of children receiving such grants to 11.5m by March 2013. Some 16.5m people will then be on social welfare.

Expenditure on social grants is expected to total R89bn in 2010/11, rising to R98.6bn the following year and to R107bn in 2012/13. The overall amount allocated to social protection of various kinds in 2010/11 is R129bn or 4.8% of GDP. Expenditure on social protection is now the second biggest budget item. In 1994/95 R13.7bn went to social protection, but by 2012/13 the amount is projected to rise to

R155bn, an increase of 1 035%.

South Africa’s score

Few international monitors evaluate all the factors relevant to the liberation of the poor. However, in 2009 the United Nations Development Programme (UNDP) ranked South Africa 129th out of 182 countries on its Human Development Index, which combines normalised measures of life expectancy, literacy, educational attainment, and GDP per capita.

Some 870 000 jobs were shed in 2009, increasing the unemployment rate and worsening poverty. Though reforms to labour law have again been promised, Cosatu is mobilising against this. Regulation of labour broking is likely to be tightened, which could make it harder for the unskilled to find even casual jobs. Some 600 000 ‘work opportunities’ have been promised for 2010/11 via public works but these will do little to meet the scale of need.

Education and public health care remain in crisis, while proposed restrictions on private land ownership could undermine commercial agriculture and worsen rural destitution. Social grants remain the Government’s principal weapon in its ‘war on poverty’, but already the number of grant recipients (some 14m) almost triples the number of income taxpayers (5.3m). This threatens the sustainability of the grants, which in any event build dependency rather than self-reliance.

South Africa’s performance in liberating the poor has deteriorated, bringing its score down from 25% in the first 15 years of ANC rule to 21% in 2009/10.

— *Anthea Jeffery*

Good citizenship

Good citizenship is an essential foundation for democracy, helping to reduce crime and other damaging behaviour. But the ANC has long shown an ideological hostility to traditional morality, while President Jacob Zuma has helped blur people's understanding of right and wrong. Bad citizenship is evident in violent crime, sexual abuse, xenophobic attacks, reckless driving, and violent demonstrations, all of which signal widespread moral malaise. Family breakdown undermines the transmission of a moral code to the young, as does the poor example set by many teachers in schools. Overall, South Africa merits a score of 30% for good citizenship in 2009/10.

Introduction

Good citizenship is an essential foundation for democracy. It helps to reduce the incidence of crime and other damaging behaviour, and complements the role of the Government, the private sector, and institutions of civil society in building a prosperous, secure, and caring society. It also encourages individuals to avoid dependence on the State, to take advantage of opportunities for upward mobility, and to pursue these in a way that avoids harm to others.

Defining good citizenship

The ANC has long evinced an ideological hostility to traditional morality and sought to promote a national value system which rejects the free market rather than stressing the need for strong prohibitions against murder, rape, corruption, and the like.

More recently, in February 2010, President Jacob Zuma called for a debate on values and morality, saying: 'Let us clarify our minds as South Africans about what is it that we think is right, what is it that we think is wrong.' Zuma questioned the basis on which conduct was considered corrupt, saying there were 'people who look down on

[a certain] culture and... think... that if you do something you are corrupt, [but] you are not corrupt because it's our culture. The problem is that there are South Africans...who give themselves an authority and a right to judge others and rubbish other people's practices and beliefs'.

Sunday Times editor Mondli Makhanya objected, saying: 'If the president was talking about cultural imperialists who drone on about the manner in which people conduct ritual slaughters, he would have a point... But he is going much, much further than that. He wants us to debate the very definitions of right and wrong and put them in cultural contexts.

'I am not sure where the president gets the impression South Africans are confused about right and wrong. What is particularly galling about the president's crusade to redefine morality is the implicit assumption that black people's morality should be of a lower standard than white people's morality. That blacks should have a different understanding of corruption than whites... The last thing we need is for our sense of values to be confused by a president who seems to have a different moral world view to his citizens.'

The ingredients of good citizenship may be difficult to define but the components of bad citizenship are relatively easy to identify. Bad citizenship is found, among other things, not only in the country's high crime rate but also in the male arrogance which underpins the sexual abuse of women and children, in xenophobic attacks, and in the intimidation and violence that so often mar demonstrations.

Male arrogance and sexual abuse

This issue came sharply to the fore in February 2010, when it emerged that Zuma had fathered another illegitimate child, this time with the daughter of a long-term friend, Irvin Khoza.

DA leader Helen Zille said Zuma had betrayed the Government's war on HIV/AIDS by again engaging in unprotected sex outside of his polygamous marriages. She charged that millions of young men would disregard the State's messages to 'abstain, be faithful, and condomise' and follow Zuma's bad example. Zuma's arrogance in seeing himself as above societal norms 'undermined the entire edifice of the Government's HIV/AIDS programme. It would destroy many lives. And it would cost

taxpayers millions in treating people who contract HIV/AIDS as a result.'

The rape of babies, young children, and teenagers persisted, often driven by alcohol or drug abuse. In June 2009 a report compiled by the Solidarity trade union said about 60 cases of child rape were reported in South Africa every day, while 88% of such rapes were never reported at all. 'This means that about 530 child rapes take place every day, one rape every three minutes,' it said.

One of the worst cases in 2009 involved the gang rape of a 13-year-old schoolgirl by three 14-year-old boys who photographed the attack on a cellphone so that they could get a further 'kick' out of revisiting the incident. The president of the National Professional Teachers' Organisation (Naptosa), Ezra Ramasehla, responded: 'We are all to blame when children have been socialised in such a way that they have grossly wrong perceptions about what is acceptable behavior. The fact that the incident was photographed... is symptomatic of a society that is without values, without caring, and without respect and is becoming progressively more violent.'

Xenophobia

Xenophobic attacks persisted, despite widespread condemnation of the May 2008 upsurge which cost the lives of 62 people. (Twenty-one of these victims were in fact South Africans but were nevertheless killed because their skins were 'too dark' or the mobs who demanded to see their South African identity documents did not trust their validity and went on to kill them anyway.)

By November 2008 at least 65 Somalis who had been reintegrat-

ed into local communities in the Eastern and Western Cape had been murdered, according to a Somali spokesman. A year later 3 000 Zimbabweans were forced out of the De Doorns farming community in the Western Cape by locals who accused them of stealing their jobs.

In the same month, hundreds of Zimbabweans were hunted down in Westenburg township outside Polokwane (Limpopo) by mobs who accused them of raping women and murdering children. One Zimbabwean man was dragged out of his home, stabbed, and left for dead as he lay unconscious and bleeding in the street. Another escaped a similar fate only because his landlord succeeded in hiding him from the mob.

In January 2010 some 20 Somali traders were hounded from the farming village of Rivieronderend (Western Cape) and their shops were looted. Residents had accused the Somalis of murdering a mentally handicapped man, but a post mortem showed he had died of natural causes. The displaced Somalis took refuge in a municipal shed, while locals refused to accept their reintegration.

In March 2010 the South African Human Rights Commission (HRC) released a report on the xenophobic violence in May 2008. The HRC found that the Government's response — from the president down to the police — had been tardy and inadequate. It said attacks had finally stopped because 'foreign nationals had left the affected areas and there were no more businesses left to loot'. Calm had thus returned 'not because the rule of law had been restored but because the source of conflict [foreigners] had been removed'.

Said HRC chairman Lawrence Mushwana: 'Despite our formal transition to equality and democracy, violence is often still viewed as a legitimate means of resolving issues.'

Violent demonstrations

In June and July 2009, against a background of recession, rising unemployment, poor service delivery, and widespread allegations of corruption at local level, there were violent demonstrations in a dozen townships across the country. The ANC condemned the looting, arson, vandalism, and xenophobia evident in many areas, Zuma saying there was 'no justification' for conduct of this kind.

In Thandukukhanya in Piet Retief (Mpumalanga) a mob armed with petrol bombs and knobkerries marched on the house of the mayor, Mary Khumalo. After a shot was reportedly fired from the house, killing a person in the crowd, enraged demonstrators stormed the house and began smashing everything inside it. Soon all that remained of the three-bedroomed home was a mural of Zuma. Residents also attacked the local town hall, clinic, library, and municipal offices before setting the homes of three councillors alight.

In other demonstrations in Mpumalanga, a security guard was dragged out of his vehicle and beaten to death. Municipal property worth more than R5m was destroyed in the Mbombela (Nelspruit) and Thaba Chweu (Sabie) local authorities.

At the end of September violence flared in Sakhile (Stander-ton), also in Mpumalanga, where angry crowds burnt a councillor's home before razing a community centre and library. Next, a Pakistani-owned store was raided

and looted by youths, one of whom was shot dead inside the store by police. His funeral sparked a stayaway, more attacks on Pakistani-owned shops, and running battles between the police and stone-throwing youths.

A crowd 10 000 strong marched to the local municipal officers to warn that 'the safety of councillors and officials could no longer be guaranteed' and to demand that all of them resign within 24 hours. Demonstrators also vowed to step up the protests, one resident saying: 'From now on there will be riots. Standerton is going to burn. No one is going to rule this township. It will burn like hellish fire.'

Tokyo Sexwale, minister of human settlements, warned against attempts to make areas ungovernable, saying no government could tolerate anarchy. 'We know about the recession, about people losing their jobs. But where the government sees anarchy, it has to put a stop to it. There should be zero tolerance for people who want to render any part of this country ungovernable.'

However, it was the ANC that earlier taught South Africans the techniques of ungovernability, via the people's war the organisation used to propel itself to power. That those techniques are still being used after 15 years of democracy shows that the genie of anarchy, once released, cannot easily be put back inside the bottle.

Contempt for the rules of the road

In March 2010 the Automobile Association (AA) said South African roads were fast becoming known as the most dangerous in the world. Though this was partly because of bad road conditions, reckless driving was also a key

factor. The result was that 'the equivalent of at least ten schools of pupils were killed each year', the AA said. Taxi drivers were often reckless but so were other road users — especially when it came to drinking and driving. Overall, South African drivers showed 'a blatant disregard' for the law.

Some high-ranking ANC office bearers also set a poor example, as *The Star* discovered when it embarked on lifestyle audits of prominent politicians. Julius Malema, president of the ANC Youth League, was found to have 12 unpaid traffic fines amounting to over R4 400, while his driving licence was invalid. The Gauteng MEC for safety and security, Khabisi Mosunkutu, had 17 outstanding traffic fines totalling some R6 200, while the province's premier, Nomvula Mokonyane, had 50 unpaid traffic fines exceeding R17 000. Mokonyane's response to the newspaper report was to say: 'I believe you guys are being too hard on politicians.'

Widespread moral malaise

In July 2009 Professor Jonathan Jansen, vice chancellor and rector of the University of the Free State, warned that 'extraordinary incidents were now becoming commonplace'. In the Western Cape, for instance, when one man started stripping wood from a prefabricated school building to light a winter fire, others immediately joined in. 'Within hours the feeding frenzy levelled the school with the ground. There was nothing left. Their own children, who attended the school, now had no building in which to learn during the harsh Cape winter.'

In the Karoo, when a kombi carrying people with disabilities overturned, people from a nearby

town quickly crowded around the accident scene. However, their aim was not to help the victims but rather 'to rob them of their cellphones and jewellery'.

Wrote Jansen: 'A fundamental shift is taking place in South African society. It is a shift of values. Whereas before theft was limited to a few, now everybody steals given the slightest opportunity. Whereas before peaceful protest...was enough to drive home a bargaining point, now it is not enough unless buildings are ransacked and people intimidated... We are a corrupt nation in which people have lost their moral bearings...'

'The underlying crisis in our society is not skills nor, to coin a phrase, capacity building. You can train police in the latest technology of DNA fingerprinting, but if their value set is corrupt, then dockets will continue to disappear. You can provide a laptop with training to every teacher, but if they do not believe deeply that the education of a child should not be interrupted under any circumstances, then long hours of teaching will be lost to strikes, stayaways, and sheer indifference.'

'Our crisis is one of values and it can only be resolved through powerful leadership. Values are one arena in which change is necessarily top down.'

The Government's role

However, the strong moral example required of Zuma and other leaders in Government is absent. Instead, Zuma's conduct suggests a wish to place himself above all legal and social norms. In addition, his dismissal of rules against corruption as culturally biased is likely to be damaging. The Government's failure to clamp down on either corruption within its ranks or widespread violent crime has also helped to foster a climate of lawlessness.

In August 2009, after striking soldiers had fought running battles with police trying to disperse them on the lawns of the Union Buildings, the president of the Azanian People's Organisation (Azapo), Mosibudi Mangena, said: 'Impunity has become the norm, not the exception. How often do we see people openly and in the glare of TV cameras breaking the law and yet there are no comebacks?'

'During the so-called service delivery protests or strikes by unions, we have come to accept that there will be violence. Public property is damaged or destroyed and often people are injured. When taxi drivers are unhappy they go on a rampage, brandishing weapons and intimidating people. Yet there are no repercussions... These forms of behavior plant a powerful but negative seed in the minds of many that it pays to break the law...'

'In South Africa, people have come to realise that if you want to get your way, you should be as aggressive, unruly, vile, and violent as possible.'

The Government has also fostered a culture of victimhood and dependency, which has eroded self-reliance and now fuels violence when heightened expectations are not met.

Wrote Mangena in July 2009 as protests spread and turned increasingly violent: 'Growing demonstrations across the country are a symptom of many complex ills, the most important of which is the "prison" called "delivery"'. People who sit waiting for somebody to deliver water, houses, and electricity to them cannot be said to be free. They are the captives of politicians who routinely pacify them with promises of freedom if they were to vote for them or their party...

'The problem in South Africa is that there is too much emphasis on the provision of free things, as opposed to giving people education, skills, and opportunities to do things for themselves. Of course, the state must provide free services to the sick, the infirm, the elderly, and other such vulnerable groups. But the rest of us should be enabled by the system to provide for ourselves and our families...'

'[Yet] politicians have been going around in the past 15 years promising individuals jobs, housing and everything else. When these promises do not materialise — and indeed they are difficult or impossible [to fulfil] — people get angry... This situation, where many citizens demand that the state give them things for free, failing which they will burn and destroy until it happens, is dangerous...'

'What is required in our country is that our people are given education, skills and opportunities to make a living... In addition to growing the economy, this would offer people an opportunity to escape poverty and restore their dignity, which will come with an ability to provide for one's family through an honest day's work.'

Traditional transmission belts

As the Institute earlier reported (*Fast Facts* No 7/2009), some 40% of an estimated 18m children are being raised by single mothers. The problem is particularly acute within the African community, where only 32% of children live with both their parents as opposed to 84% of white children.

Asked by Nikiwe Bikitsha (in a *Mail & Guardian* column) to comment on the large proportion of children growing up without fathers, twenty men wrote in

agreeing that the country faces a crisis. The men's overwhelming view, noted Bikitsha, was that, 'although apartheid left many scars on the structure of the South African family, there is no reason to keep replicating it in the next generation or to continue using apartheid as an excuse... Instead, there is a lack of responsibility and accountability among some men, and when these men abdicate their responsibilities as parents they are simply allowed to do so. Old-fashioned values have been cast aside and in that vacuum a culture of impunity and a lack of respect...for women has taken hold'.

Family breakdown makes it harder for families to play their traditional role in instilling moral values in children. Schools are also battling to play this role, especially where teachers skimp on lessons, play truant, or otherwise fail to set a good example. Faith-based institutions play a vital part in imparting a moral code, but the family nevertheless remains the most important transmission belt. It is also the one most under stress and shows little sign of positive change.

South Africa's score

There are no international or local monitors which score performance on factors relevant to good citizenship other than crime. Rape and violent crime remain endemic, while xenophobic attacks have persisted along with reckless driving and high rates of alcohol and drug abuse. Zuma has undermined the battle against AIDS and corruption and failed to provide a clear moral lead. South Africa thus merits a score of 30% for good citizenship in 2009/10, down from 32% in the first 15 years of ANC rule.

— *Anthea Jeffery*

Fast stats

LATEST FORECASTS

GDP growth 2010	3.4% BER: revised upwards from 2.7%
	3.0% FNB: revised upwards from 2.7%
	2.8% Nedbank: no change
Headline inflation rate (CPI) 2010 (average)	5.5% Nedbank: revised upwards from 5.3%
	5.2% Barnard Jacobs Mellet: revised upwards from 5.1%
	5.0% FNB: no change
Expected CPI (business) 2010 (average)	7.1% BER: revised downwards from 8.6%
	(trade unions) 7.0% BER: revised downwards from 8.2%
Producer price inflation 2010 (average)	6.6% Standard Bank: revised downwards from 6.9%
	4.4% Absa: revised downwards from 4.7%
Imported producer inflation 2010 (average)	4.9% Absa: revised downwards from 6%
Gross fixed capital formation 2010	up 2.0% Standard Bank: revised upwards from 1.3%
	down 2.0% FNB: no change
Final consumption expenditure by households 2010	up 2.4% Nedbank: revised upwards from 2.2%; Standard Bank
	up 1.5% Absa: revised upwards from 0.2%
Government consumption expenditure 2010	up 4.5% BER: revised downwards from 4.6%
	up 3.0% FNB: revised upwards from 2%
Gross domestic expenditure 2010	up 4.8% Absa: revised upwards from 2.7%
	up 3.5% FNB: revised upwards from 2.8%
Exports 2010	up 7.7% BER: revised upwards from 6.4%
	up 0.0% Absa: revised downwards from 0.2%
Imports 2010	up 12.1% BER: revised upwards from 8.2%
	up 6.5% Absa: revised upwards from 1.7%
Current account deficit 2010	R120.3bn Nedbank: revised upwards from R119.9bn
	R103.8bn Absa: revised downwards from R117bn
— as proportion of GDP 2010	4.5% Nedbank: revised downwards from 4.6%
	3.7% Standard Bank: revised downwards from 5%
Capital account surplus 2010	R135.0bn Nedbank: revised downwards from R170bn
Prime overdraft rate 2010 (year end)	10.0% Absa; Barnard Jacobs Mellet; BER; Standard Bank; FNB
	9.5% Nedbank: revised downwards from 10.5%
R/€ exchange rate 2010 (average)	10.62 Barnard Jacobs Mellet: revised from 11.30
	10.19 Absa: revised from 11.33
R/\$ exchange rate 2010 (average)	7.67 Nedbank: revised from 7.69; Standard Bank
	7.51 Barnard Jacobs Mellet: revised from 7.50
Gold price per ounce 2010 (average)	\$1 181 Barnard Jacobs Mellet: revised downwards from \$1 201
	\$1 073 BER: revised upwards from \$1 064
Nominal wage rise 2010	8.1% BER: revised upwards from 7.8%

These forecasts contain the highest and lowest estimates available to us.

Our Fast stats pages are compiled by Tamara Dimant, Head of Information, phone (011) 492-0600 x 2016, fax (011) 492-0588, e-mail tdimant@sairr.org.za