

**Our South Africa today:
A social investor's brief**

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Any overview of South Africa's political and socio-economic conditions must take into account the past and projections for times to come and will necessarily be selective. The information contained in this short report is chosen for its specific relevance to social investors and to their delivery partners in development.

It is to give a very high bird's-eye view of trends and of the status quo without claiming comprehensiveness. And it is written in the humility of French avant-garde novelist Anais Nin's observation that "We don't see things as they are; we see things as we are".

Let's take a quick and jaunty step through the park that is South Africa:

1. People and their economic actions

The national treasury, in October 2010, revised its GDP growth forecast upwards for the period to and including 2013. This is critical because on GDP growth versus population growth lies all our reality, now and in future. The revised figures are:

2010 - 3.0%

2011 - 3.5%

2012 - 4.1%

2013 - 4.5%

This takes place as Statistics SA put the country's population growth rate at 1,06% for 2009 to 2010. That's a steady fall from 2001 when it was at 1,4% - the population growth rate has been falling for 30 years now. South Africa's population is therefore not going to grow enormously from the current 50 million people and this holds opportunity and, as politicians might say, "challenge".

The opportunity lies in the fact that per capita incomes will rise with GDP growth rates outstripping population ones, but a future workforce constrained in number may stunt economic growth and consumer market potential.

Much of the falling population growth is due to consistent urbanisation (a good thing for private and public efficiencies) and this can be expected to continue, with neighbours in the SA Development Community eventually providing the population numbers needed through emigration to South Africa's urban centres.

But our GDP growth rate, constrained as it is by such things as a very poor public education system and large-scale family breakdown (with associated social ills), needs to accelerate rapidly if joblessness is to be curbed.

Some facts:

- Our GDP growth rate over the 1980s was an average 1,6% p.a. increasing to just 1,9% in the Nineties. The average for the first decade of this century was a much better 3,6%.

- Even so, the Eighties and Nineties will hold us back for a considerable time, given that our population continued to expand during those times.
- If we grow GDP at 3% for the next 20 years, we will reach R53 712 in 2030. But here's the thing: if we double GDP growth to 6% per annum for that time, the figure is R98 155 per person, while 8% would give us R145 342.

2. Jobs, jobs, jobs

Expanding the horizons of opportunity for increasing numbers of people is mainly a function of the economy, in which politicians play an influential part and which social conditions can cause success or failure.

The treasury says that the private sector creates three quarters of jobs in the country (although one could say that it creates all of them, given that it also funds the public sector).

Government likes to talk about a narrow definition of unemployment at around a quarter of the working-age population. But it is the "extended" definition that is critical, including as it does all the unemployed, including those who are "discouraged" (people who haven't looked for a job in a month) and those in despair after at least three years of joblessness. The figure is 36,6%.

- But our full unemployment has declined from 6,9 million people in 2003 to 6,1 million in 2010 (one-and-a-half times the direct income tax-payer base).
- The figure for youngsters between 18 and 24 years old is 50%, but for African females it is 63%. For whites the figure is 21%.
- Meanwhile, public sector employment rose 1,2% in Q1 2010, and real wages there by 9,1%. Private sector remuneration rose 6,9% in the same period.

3. A better life for (almost) all

The advent of democracy with its freedom of economic activity, movement and expression, along with the reorientation of state services to poorer segments of our people, a revived domestic economy and the influx of cheaper goods through economic globalisation, has brought some impressive results in day-to-day realities. Let us start with Living Standard Measures (LSMs).

A widely used marketing analysis tool of the SA Advertising Research Foundation, these categorise the market into 10 LSMs (with 1 being at the economic bottom) based not on race or income, but rather on "things" owned. There is a long list of these, from motor cars to dishwashers to built-in kitchen sinks and much more besides.

- The proportion of people in the poorest LSM 1 dropped from 10,5% in 2001 to 3,4% in 2008.
- The proportions in LSMs 5 to 10 have all risen over this period and sometimes dramatically so.

There are other indicators:

- The number of people living on a constant US\$ 1 a day rose from 1996 to 2002 and has since dropped significantly, from 2,6 million to 540 000.
- The social wage was already R519 a month on the top 40% of households by 2004, and a remarkable R955 a month on the poorest 60% of households. It is important to note that the social wage isn't really a wage at all, just a term for state expenditure on social services, payments to individuals (excluding disability grants for some reason) and their calculation on where these go and who uses these services. What makes it useful is that it acts as a good indication of the redirection of state focus to poorer areas (remembering the enormous catch-up involved in the reincorporation of the former "homelands". So while expenditure on Africans in the former "white" SA was lower than on whites, it was always much higher per capita than on homeland inhabitants). The turnaround has been extraordinary, although whites often experience this as a fall-off in standards of service in their areas. But for blacks the experience is the opposite.
- Increases in pension grant amounts per recipient have outstripped inflation in every year since 2003.

4. Moving around

Life's mobility is also about being able to move around physically. South Africa's transport policy works off the 1998 *Moving South Africa* White Paper. This would have 80% of people use public transport within its 20-year vision but struggles against other parts of government working in different directions.

- Thus the transport policy assumes densification of housing, but housing policy assumes RDP-type-single-unit housing spread over large areas of mostly cheaper land (sometimes fairly far removed from main economic activity).
- Local government zoning laws are also outside the purview of the Transport Ministry and tend to work against its vision of full housing-workplace integration.
- The White Paper defines as "stranded" those South Africans who cannot even afford taxi or bus fare, and who do not own bicycles. They live mainly within their immediate line of sight, and are put at 12% of the population (1998).
- Privately-owned minibus taxis are considered "public transport". They carry 65% of commuters daily and a "recapitalisation" plan could put them under severe strain.
- The recap plan would remove route flexibility and replace this with fixed routes, restrict vehicle suppliers to three, tax owners and drivers, enforce tracking technology in vehicles, and force the supply of taxi repairs, spare parts and diesel to licensed "cooperatives". Rearguard protests by the taxi industry, shorn of media or other support, along with foreseeable disruption to the lives of commuters, seem to be forcing a slow government re-think on this important issue.

5. Fewer people on the land

In defiance of this being an increasingly urbanised country, and indeed of the benefits of that fact, policymakers and social investors often put great emphasis on rural areas and related issues of land reform. Things to note:

- Just over 94% of all land claims lodged since the beginning of the land reform process in 1995 had been resolved by 2008.
- President Jacob Zuma says that government will make unspecified “significant changes” to the willing-buyer-willing-seller approach to land reform currently mandated by law.
- The Department of Rural Development and Land Reform is now concentrating on “recapitalising” failed land reform projects. This is because an estimated 90% of working farms handed to new ownership under the land reform process have failed.
- The number of commercial farming units has declined by 31% since 2003 and the number of farm employees by 27%.
- But there is still far too much land in state ownership (therefore read “black” in only the most general sense) and not yet transferred to private black ownership. This applies to tribal lands, many townships and homelands, never mind things like national parks, beaches, mountain ranges, etc.
- Nevertheless, the share of household ownership in private African hands is now at an astonishing 41%, with one third of these owning a second property, often in rural areas.

6. Getting a bit safer

South Africans are getting safer and have been since a crime peak in 1995/96. Yet perceptions surveys do now show that they feel safer.

- The ultimate crime, murder, has fallen from 69 per 100 000 people at that height to 34 per 100 000 this past year.
- Public order and safety spending by government will increase by an average 7,6% a year until 2013.
- Registered private security guards now total more than 300 000, twice the size of the SA Police Service.
- General defence spending is to increase at an average 8,9% to 2013.

7. Opening the doors of education

Of course, it's almost a CSI shibboleth to think that education is the main way out of unemployment, and this could be true. There is good and more sobering news. On the latter, perhaps the most negative effect on the ability of young people to grow to fulfilling potential comes from their familial circumstances. In 2007 (the latest figures available), *fully 79,8% of white households contained both parents. But for Africans the figure is only 28,6%.*

- That same year saw 1 150 000 children enrolled for Grade 10 at school (the old standard eight). But only 550 000 sat for matric exams two years later (2009) and only 280 000 passed. Of these, 80 000 had a maths pass.
- Not that the understandable preoccupation that social investors currently have with maths should blind us to other things. Thus a task team of the Ministry of Higher Education and Training reports (October 2010) that more than 80% of humanities graduates are employed.
- And SA saw 81 000 degrees in 2008, double that of 1991. The percentage of Africans being awarded these grew from 21 to 46 in the same period.
- Indeed, where whites outnumbered Africans 10,3 : 1 in agricultural degrees in 1991, this had changed to 0,8 : 1 in 2008. Where whites outnumbered Africans 43,9 : 1 in engineering in 1991, this changed to 1,1 : 1 by 2008. The proportions changed in the maths sciences from 6,3 : 1 to 0,9 : 1. Other degree changes are just as startling and heartening.
- But the Joint Education Trust, surveying a landscape of 9 000 public secondary schools, describes 80% of them “dysfunctional”.
- Ordinary folk have responded, according to a study by the Centre for Development and Enterprise. This looked at six areas of three provinces from 2008 to 2010 and found that low-fee private schools, often unregistered, constituted 30% of sampled schools for the poor. This in contrast to government's reckoning of 4,3% of such schools nationally.

8. Trapping the miners

Long the mainstay of the country's industrialisation and employment, and still a major contributor to the public purse, mining houses are, well, on shaky ground. This comes partly through an almost bizarre acceptance into civilised company of a debate on nationalisation, along with a legislative impulse to strip all private ownership of minerals in South Africa.

Perhaps not surprisingly, then, was South Africa's mining attractiveness ranking in 2010 of 31st place worldwide, below Botswana (8), Ghana (21), Tanzania (23), Namibia (24), and Zambia (27).

Which couldn't have pleased Anglo American plc CEO Cynthia Carroll who said: “Anglo American has had direct experience of nationalisation. Some 40 years ago the Zambian government nationalised the copper mines (we) owned in that country. The result was that decades of neglect of those mines

followed. The private sector was invited back into the Zambian mining industry some 10 years ago and the industry is recovering but, even now, the copper mining industry there is producing at levels below those of 40 years ago”.

9. A house of bricks

Back above ground, South Africans have increased their reliance on state welfare payments of various sorts (including those for old age, child support, disability, and so on), with a staggering 13,8 million people now on this form of a basic income grant.

- Yet while the sale of “affordable houses” only rose 2,6% in Q2 2010 compared with its 2009 counterpart, sales of small houses (the next level up at an average price of R843 893) rose fully 29,2 %.
- This increased mobility reflects in other ways too. So only 2% of rural Africans had access to a telephone of any type in 1998. In only eight short years to 2006, this had risen to 60%, thanks in part to cellular telephony.
- Where only half of households had access to sanitation when Nelson Mandela became President, this stood at 77% by 2008/09.
- Use of the bucket system of sanitation fell from 6% of households to 0,1% at the same time.

10. A healthier sector

And there have been real improvements in access to healthcare, even in the face of an often deteriorating tertiary healthcare part of the public health system.

- A major recapitalisation of some major urban hospitals is to take place beginning 2011.
- The years since democratisation have seen 1 800 clinics built and 250 hospitals “revitalised”.
- Access to health care is now available to 95% of South Africans within a 5km radius of where they live.
- Yet an ill-considered national insurance (NHI) scheme could scupper the private healthcare sector, which takes a massive burden off the public sector, and is now able to be attractive to 44% of all healthcare expenditure in the country. The private healthcare sector produced 5 100 nurses in 2009 to the state's 2 400.
- Finance Minister Pravin Gordhan has pledged not to raise taxes for the NHI until a national public health scheme has been properly worked out, with a “systematic approach to implementation” to take the next 14 years.

11. The untouchables

There sometimes seem to be high levels of prejudice against foreign Africans among South Africans and a blaming of illegal immigrants for crime, despite there being no statistical evidence of the latter.

To begin with, there are no reliable statistics on the number of illegal immigrants in South Africa, only estimates that vary wildly from 1 million to an implausible 8 million.

Often forgotten in a zero-sum debate about immigrants and the jobs that they supposedly take from locals, is acknowledgement of the important role that workers from throughout southern Africa played in the building up of this country's economy through migrant labour to the mines from the late nineteenth century to the early 1970s.

Whatever the number, this is a part of the population living in the shadows, excluded, either officially or voluntarily, from state services and activities, and sure to grow in number. It is a part of South Africa that social investors too often ignore.

12. What's under the bed?

Much political debate in democracies is about the allocation of necessarily scarce resources and also the proper balance to be found between the extremes of total liberty on the one hand versus total control on other. Humans want to minimise and manage risk, but they also want freedom. Wide, open and enthusiastic engagement in the democratic discourse at every societal level is therefore the essence of the self-regulated free society.

Sometimes this happens and sometimes not, with the formal private sector often keen to opt right out of public spats, even over things that affect it directly. Here are some things not to ignore, and debates to take part in:

- “The rule of law” is sometimes misunderstood to mean rule *by* law; in other words that everything needs a law governing it. All it actually means, and why it is fundamental to the protection of rights, is that the law must apply to everyone equally, whether king or subject. This is the bedrock of all democratic stability. Yet there are sometimes signs that political considerations receive too much weight (when they should properly have none) in prosecutorial, custodial, investigatory and even paroling decisions.
- The rule of law can also be undermined through an opaque judicial appointments process, with Supreme Court deputy president Mr. Justice Louis Harms warning that the Judicial Service Commission is “not accountable to anyone because it is –faceless and no-one knows who was for or against any particular candidate”.
- Mooted curbs on information gathering and publication, along with a proposed and intimidatory media tribunal and regular verbal attacks on media practitioners, led SA to drop five places to 38th position in the 2010 Reporters Without Borders annual Press Freedom Index.

- Proposals to enforce a highly restrictive “King 3” set of reporting, governance and accountability rules on all organisations in the country, whether voluntary, community based, public benefit, or listed company, could severely restrict freedom of association in practice, and penalise ordinary NGO activity.
- This last should be read alongside a resolution passed at the African National Congress 2007 Polokwane conference that there be a “regulatory architecture for the private funding of political parties and civil society groups” and which goes on that private monies used in lobbying should be regarded as a “potential threat”.
- Minister Gordhan reports that R25 billion of possible state tender irregularities are currently under investigation and that new ways to promote tendering transparency will be implemented to fight this dangerous fraud.

13. What a place!

We have come to the end of our little jaunt. Nothing then is stagnant in a South Africa in phenomenal and often very inspiring flux, made up as it is of a highly resourceful people and a strongly diverse civil society tradition.

This is a place in which the social investor is lucky for choice of change partners whose approach to easing problems and opening opportunity is sometimes unique to this country and an example to greater humanity.

14. The limitations, but flexibility, of the social investor

To be useful to the particular reader of this report, this state of the nation review should be considered in terms of what is possible and desirable in social investment approaches. For starters, there are no sensible ways in which corporate social investment (CSI) practitioners should try to fundamentally alter developmental realities in South Africa. And it isn't their job to try to, although well-aimed interventions can sometimes tip into systemic change for the better.

This is partly because the mandates of state spending and that of CSI differ markedly, both as a function of where their respective moneys come from, and because, importantly, of their differing scales of expenditure.

The democratic state must act to try ensure equality of service provision to all, and is enjoined to act to the “progressive realisation” of so-called second and third generation rights (to such things as housing, health, clean environment, employment, etc) by both the Constitution of the Republic and by successive court judgements. To the attempt at realising these objectives goes policy formulation and national budgetary allocations.

The private sector's role in the above is through its not inconsiderable contribution to the exchequer via taxation, never mind the societal good that automatically comes through the provision of jobs, investment, capital infrastructure, R&D, and products of use to a great many people.

Over and above this fundamental good that comes about through private enterprise is the voluntary transaction of CSI and other forms of social investment. In this, formal sector business chooses to provide targeted financial and other support to mainly private initiatives in community upliftment or for the national good.

These initiatives may themselves enjoy some support from the state, or they may rely entirely on private backing. But when CSI funders choose partnerships to enter into, they should naturally look to those of best practice.

Three realities immediately crop up:

The level of CSI spend of any company is infinitesimal relative to the state. It cannot make a meaningful contribution to the achievement of material equality as envisaged in the Constitution.

The choice of delivery agents for CSI work (i.e. NGOs and others who carry out developmental initiatives) must involve a competitive process that sees funds attracted to best practice partners, wherever they are to be found, and even if these are concentrated in only some areas.

The facts of income, poverty, service distribution, educational provision, and similar disparities between and within provinces is neither here nor there for CSI best practice and for various reasons, the most notable being that it isn't within CSI's mandate or ability to alter these things. Rather, CSI works best in the flexibility of being able to choose champions to partner with, whether these are concentrated geographically, or not.