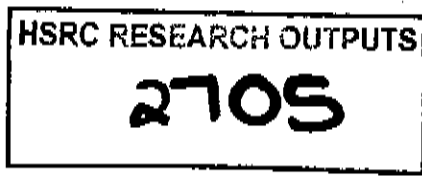


Report

03/04 ✓



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**SYNTHESIS REPORT ON SOCIAL AND  
ECONOMIC IMPACTS OF GOVERNMENT  
PROGRAMMES SINCE 1994**

**BASED ON PAPERS 6.2 AND 6.7 OF THE  
TEN YEAR REVIEW RESEARCH PROGRAMME**

**Prepared for:  
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## ACRONYMS

ABET	Adult basic education
AIDS	Acquired immune deficiency syndrome
CBD	Central business district
CBPWP	Community-Based Public Works Programme
CSG	Child support grant
CWSS	Community Water Supply and Sanitation
DEAT	Department of Environment and Tourism
DLA	Department of Land Affairs
DPLG	Department of Provincial and Local Government
DSD	Department of Social Development
DTI	Department of Trade and Industry
ELIDZ	East London Industrial Development Zone
HDI	Historically disadvantaged individual
HIV	Human immunodeficiency virus
HRD	Human resource development
HSRC	Human Sciences Research Council
IDC	Industrial Development Corporation
IDP	Integrated development plan
IEP	Integrated Electrification Programme
ISRDS	Integrated Sustainable Rural Development Strategy
ITMAS	International Tourism Marketing Assistance Scheme
LBSC	Local business service centre
LED	Local economic development
MDP	Manufacturing Development Programme
NGO	Non-governmental organisation
RDP	Reconstruction and Development Programme
RFI	Retail financial institution
RIDP	Regional Industrial Development Programme
SDI	Spatial development initiative
SETA	Sector Education and Training Authority
SMEDP	Small and Medium Enterprise Development Programme
SMME	Small, medium, and micro-enterprise
SRIDP	Simplified Regional Industrial Development Programme
URS	Urban Renewal Strategy
WfW	Working for Water

# 1 INTRODUCTION

## 1.1 Purpose and scope of this report

The purpose of this synthesis report is to draw together findings from two complementary exercises conducted by the HSRC under the auspices of the Ten Year Review Research Programme. These two exercises were:

- *Paper 6.2: Impact of government programmes, using administrative data sets* – To evaluate the impact of major government programmes against development indicators, using administrative data on outputs.
- *Paper 6.7: Eight local case studies of socio-economic trends and the impact of government projects* – To assess the local impact of government projects and cross-cutting programmes within pre-selected towns and cities.

The emphasis of both exercises was to evaluate the impact of government programmes in reducing poverty and improving the quality of life. The exercises were not primarily concerned with objectives such as promoting economic growth, institutional development, or nature conservation, etc., although the government programmes under discussion often explicitly or implicitly have implications for these other objectives as well.

Paper 6.2 subsumed eight theme papers, together with an exercise to develop composite social indicators. The theme papers addressed the following topics:

- Social Assistance Grants
- Poverty Relief Programmes
- Public Works and Infrastructure
- Human Resource Development
- Support to the tourism sector
- Support to SMMEs
- Agricultural extension services
- Investment incentives

Meanwhile, the case studies under Paper 6.7 focussed on the following areas:

- Durban CBD in KwaZulu Natal, focussing on Warwick Triangle, a central area that is going over to informal trading and has conflicts, poverty, public health and environment problems;
- Alexandra Renewal Project in Johannesburg, an old township with new areas added, perhaps the leading node of the URS programme and now undergoing a massive planned upgrading initiative with RDP housing;
- Crossroads, the former shack settlement in Cape Town and famous as the site of intensive struggle under the last government, now upgraded with housing and services but facing conflict over RDP housing delivery;
- Inanda, north of Durban in KwaZulu Natal, perhaps the largest informal settlement in the country, now being absorbed into the metro and also a URS node;
- Mbombela, a rural peri-urban settlement outside Nelspruit in Mpumalanga, historically cut off from service delivery, but now receiving services and assistance with tenure upgrade;

- East London in Buffalo City, the provincial metropole for the northern Eastern Cape and former Transkei, a medium sized city now part of the second largest municipal area in South Africa, linked to Mdantsane, another URS node;
- Colesburg in Northern Cape, a small rural town in an extensive farming region, now the capital of a combined municipality whose local economy is starting to expand as it moves toward game farming and tourism; and,
- Wild Coast / OR Tambo district, an SDI area in an impoverished and neglected area of former Transkei with very high unemployment, receiving support for tourism and agricultural development.

The aim of this synthesis report is to focus principally on the *impact* of government programmes, in terms of those programmes' stated objectives, and where appropriate in terms of the general objective of reducing poverty. The paper does not attempt to assemble all of the main findings from each of the areas of initiative covered in 6.2 and 6.7 (these can be found in the respective synthesis reports for 6.2 and 6.7), still less does it attempt to relate descriptive information as to the content of these government programmes (this can be found in the theme papers and case studies themselves). Rather, the aim is to highlight patterns and trends in respect of impact, with enough reference to specific cases so as to illustrate the points being made.

Part of the logic of presenting this synthesis is that there is much complementarity between the theme papers and the case studies, in that they provide distinct perspectives on some of the same government programmes. However, it should be noted that the overlap between Papers 6.2 and 6.7 is not exact. Paper 6.2 addresses at least one intervention area that is not generally touched on in the case studies (i.e. agricultural extension), and the case studies address three intervention areas that are not picked up in the theme papers under Paper 6.2 (i.e. health services, crime reduction, and spatial development initiatives). In addition, the case studies touch on the Urban Renewal Strategy and, to a lesser extent, the Integrated Sustainable Rural Development Strategy (ISRDS), while the theme papers do not.

Finally, it must be stressed that neither individually nor together do the theme papers or case study analyses comprise full-fledged evaluations. The depth of the analyses was limited in numerous ways, mainly lack of time and resources, and lack of data. Each of these intervention areas would merit a full-scale evaluation in its own right – where such evaluations exist already (as with some public works programmes), these are drawn upon below – however for the most part such evaluations are lacking.

The programme areas discussed in the report include: the social assistance grant system, the Poverty Relief Programme, public works programmes, infrastructure and services (including utilities, housing, etc.), human resource development (mainly ABET and skills training), investment incentives, spatial development initiatives (SDIs), tourism promotion, small business promotion, and agricultural extension services. The individual components of these programme areas are identified in Section 3 below. Although it counted as one of the issues to be covered in the case studies, crime reduction is for the most part not discussed on the grounds that in total not enough information was collected on it, not least because it was not the subject of a theme paper under 6.2.

## **1.2 Conceptual and methodological issues around understanding and assessing “impact”**

“Impact” as used here is understood to be a change in welfare, whether in terms of income, health, nutrition, etc., owing to some kind of government intervention. It is usual to distinguish impacts from “outputs,” which tend to be the more visible or countable results of government activities, e.g.

number of houses built, schools refurbished, people taught, etc. In practice, however, the distinction is not always so clear or so useful, often because the ultimate impact is simply too subtle to discern without extremely detailed case study impact analysis. For example, what are the welfare implications of an RDP house? What is the welfare significance of a two-month job on a public works project? To what extent does adult literacy training contribute to enhanced economic and non-economic welfare? Some of these questions may be partially illuminated in the secondary literature, but rarely unambiguously and never definitively.

In theory, Paper 6.2 called for “outputs” to be related to “impacts,” using administrative data to gauge the extent of outputs, and large-scale datasets to statistically infer impact. In practice, this was only partially achieved. On a simple practical level, the exercise was constrained by incomplete administrative data on outputs, notwithstanding substantial effort to extract these data from the respective departments. However, a more limiting problem is that to draw statistical inferences about impact from general national-level data (as opposed to project-level data), is an enormous technical challenge, especially given the brevity of the period allowed for this exercise, and even worse, the brevity of the period under review. Time series analysis is highly prone to the production of spurious conclusions, not least because of the potentially enormous number of other influences that have to be controlled for. Moreover, even where statistical relationships can be detected – e.g. between outputs and social indicators – statistical relationships themselves do not automatically justify a causal interpretation, unless specific causality models are tested. Although such an analysis is not impossible, it would require more complete data and ample time. Even then, there is a strong likelihood that no meaningful statistical relationships could be established between outputs and impacts (as opposed to the relationship between expenditure and outputs), because – as will be discussed below – the scale of delivery of outputs is often too small to register in national-level indicators.

In light of this difficulty, two things were done. First, composite indicators were developed for different impact areas, that is, different dimensions of quality of life that government programmes have aimed to improve. The change in the value of these composite indicators over time is one indication of specific trends in quality of life (see Section 2.2). Second, for specific government interventions in services and infrastructure, for which data was generally better than the norm, an attempt was made to statistically link *expenditure* to changes in accessibility of services, that is, to changes in access to *outputs* (see Section 2.3). This analysis covered water, electricity, housing, and sanitation. One of the aims of this analysis was to assess the importance of government delivery of these services relative to non-government provision, and to try to identify patterns such as urban versus rural effectiveness of government investment programmes.

An alternative to the statistical approach as described above is the case study approach, which was the focus of Paper 6.7. Case studies address a number of the deficits of statistical analyses, not least by being able to take account of multiple types of impacts (including unexpected impacts), and having more interpretive and diagnostic power. The limitation that is usually noted is their lack of generalisability. The fact that Paper 6.7 encompassed eight different case studies should attenuate this concern somewhat. More importantly, however, is the combination of information generated by the theme papers and case studies, which examine the same programmes from different but complementary perspectives.

The wide variety of government programmes addressed in 6.2 and 6.7, both in terms of objectives and strategies, complicates the process of trying to derive clear, concrete insights. In order to make this synthesis as useful as possible, careful thought was given to *what we mean* when we speak of “impact,” and to organise the analysis accordingly. For the purposes of this report, “impact” is understood to have five distinct but inter-related dimensions:

- **'recipient-level impact'** – for want of a better term, the impact of the initiative/programme on the individual, household, enterprise, or community recipient who or which is most directly affected;
- **scale of engagement** – the magnitude of the initiative relative to the size of the target group or problem that government is attempting to address;
- **targeting** – the success with which the intervention is directed at those who most need it or for whom it is meant;
- **durability and sustainability** – whether the impact of an intervention endures beyond that individual's/household's participation, and whether the programme itself is sustainable as a government activity; and
- **interactions and externalities** – the extent to which a programme interacts positively or negatively with other programmes and with other developmental goals/problems, and including considerations of spatial coherence.

The premise under-pinning this conceptualisation is that being successful in one dimension alone is not likely to suffice for significant overall impact. One obvious possibility of concern is where a programme is efficacious for those who are engaged by it (i.e. it has a good recipient-level impact), but very few people in fact are engaged (i.e. the scale is inadequate). The contrary situation is just as futile, i.e. a programme that reaches many people, but does little for them. Similarly, an initiative might have a sound recipient-level impact at a significant scale, but the benefits may be captured disproportionately by people other than those for whom the initiative is intended (i.e. poor targeting). Any number of combinations of impact dimensions can be imagined and, indeed, the programmes that are examined show a wide variety of different patterns.

The order in which these dimensions are listed is somewhat arbitrary, but there is reason to suppose that recipient-level impact, followed by scale of engagement, are the most critical. Although somewhat simplistic, a failure of recipient-level impact might suggest that the initiative is fundamentally flawed, for instance in having a complete mismatch between actions and objectives, or in trying to do something that simply does not work. A failure of scale is not necessarily a fundamental problem, in that it might well be possible to marshal additional resources. The reason for listing it as of second importance is simply that, in the estimation of the project team, the significance of scale is under-appreciated by policy makers.



## 2 CONTEXT: KEY DEVELOPMENTS SINCE 1994

### 2.1 Changes in the economic and demographic environment

Other papers commissioned as part of the Ten Year Review process discuss in detail the economic and demographic trends since 1994. The purpose of this section is merely to state some of the key trends since the mid-1990s that must be borne in mind when considering the impacts of specific poverty relief/infrastructure/HRD/etc. programmes. The detailed discussion that follows occasionally makes reference to the trends portrayed here. A longer list of 22 indicators is provided in Appendix 2.

Table 1 – Comparative demographic and economic statistics

	1995	1996	2001	2002
<i>Population</i>				
- total		40 583 573	44 819 778	
- % urban		55.1%	57.5%	
- urban pop. in Gauteng, KZN, and WC		14 380 879	17 014 149	
- number living in formal homelands		14 776 757		
- number living on farms		2 882 504		
- number of households		9 059 571	11 205 705	
<i>Employment</i>				
- total number employed		9 113 847	10 639 528	10 795 292
- employed in manufact. & construct.	1 864 717	1 780 734	1 481 160	1 485 192
- employed in mining	594 434	566 543	406 592	411 691
- employed in agriculture	914 000		684 000	648 000
- self-employed in informal sector		293 316	1 230 171	1 178 519
<i>Unemployment</i>				
- number, narrow definition		1 598 867	4 248 001	4 334 149
- number, expanded definition		5 986 115	7 468 609	7 382 563
<i>Growth and inequality</i>				
- GDP per capita (constant 1995 prices)	13 920	14 218	14 411	14 554
- Gini coefficient	0.56		0.57	

Sources: see Appendix 1.

Among the insights from this table are the following:

- There has been a large increase in the total population as measured by individuals and a huge increase in the population of households. Between 1996 and 2001, these increases were 10% and 24% respectively.
- Although there has been a modest increase in the number of employed people, there has been a larger increase in the absolute number of unemployed people. The rate of unemployment, whether measured by the official (narrow) definition or the expanded definition, has risen significantly.
- Much of the decline in employment has occurred in industries which have traditionally absorbed large numbers of lesser skilled workers.
- Much of the increase in employment has apparently been in self-employment in the informal sector.

- GDP per capita has been stagnant and there is an unchanged degree of inequality as measured by the Gini coefficient.

## 2.2 Composite indicators – development and interpretation of trends

International experience shows that development coincides with lives becoming less 'short and brutish'. For comparisons between countries there are a number of well-defined yardsticks that point to the quality of life enjoyed by citizens. Longevity is one such yardstick. Others – and more useful ones in that they can be more easily measured over the narrow period of ten years – are the maternal and infant (or under five) mortality rates. The increased access that poor individuals enjoy to clinics and hospitals (and to peri-natal clinics in particular) indicates that fewer mothers and infants should be dying in the period associated with childbirth. Unfortunately, any advantage by way of increased access to health services is apparently being offset by the impact of HIV/AIDS and other factors, such as the worsening employment situation. It is quite plausible that, despite improving access to water services, government grants, and improved health facilities, both infant and maternal mortality rates are increasing. How then, if we are denied the normative "international" measures and do not have other unambiguous measures of development, do we know if life quality is improving or getting worse?

The strategy adopted as part of exercise 6.2 was to use composite indicators in which several indicators relating to a defined aspect of living are combined to present a balanced overview of that aspect of life. Provided that the indicators that are used in constructing the composite are of roughly similar importance and that they reflect the main dimensions of that aspect of life, they will provide a robust measure of relative changes over the period.

Thus if we are to define an aspect of living called "economic preparedness," we can examine changes over the period through a composite that includes the willingness to become economically active, and the ability of individuals to take advantage of opportunities. How we reflect these aspects in the composite index depends on an understanding of what available information best measures economic activity and what is suggestive of individuals' ability to access opportunities. In this instance the measures thought important were access to higher education, the extent to which scholars were passing math and science, etc. Obviously, plausible arguments can be put forward in favour of alternative measures, such as language skills, which might prove to be of greater importance than take-up of physical science in secondary schools. This however points to the main advantage of composite indices, namely that they are robust in that they are not sensitive to nuances in definitions. There is, for example, little difference in the composite measure when we replace the adult functional literacy rate with the average number of years of schooling. Similarly, the indicator on "infrastructure" does not include a measure of housing quality. This is because access to those services with which high quality housing is associated (water, electricity, rubbish removal) reflects the major movement in infrastructure.

This suggests that any individual component of the composite should not be taken too seriously in itself, provided it reflects a general tendency. This feature returns us to what the purpose of the composite indicator is. We are not strictly interested in the infant mortality rate for its own sake, rather our curiosity about changes in the rate revolve around what it tells us about the ability of people to live longer and more fulfilled lives. We are similarly less interested in access to piped water *per se*, than we are interested in how that assists health (and thus the ability to live longer more fulfilled lives). In another instance we may be more interested in access to piped water in so far as it alleviates the work burden of rural women or allows urban residents to access economic opportunities. The context in which individual indicators contribute to the composite becomes important.

The means of calculating the composite indices is briefly explained. First, before they were combined into a composite index, the constituent variables had to be rendered into a common format, e.g. crime rates are measured in terms of incidents per 100 000 population, access to piped water is measured in terms of percentage of households, etc. As the range of observed values for these diverse measures fluctuates dramatically, they also had to be placed on a similar scale. The scale adopted was based on a comparison of provincial rates of each index in the two time periods. That province which was ranked worst of the provinces at either of the two time points received a score of zero for that component, while the province that had the best measure of that component in either of the two years received a score of 1. In order to achieve this some of the components are expressed somewhat awkwardly. Instead of talking about unemployment rates, we have to use the less familiar "employment rates" – which is nothing other than 100 minus the percent unemployed.

After scaling all the constituent parts of the index from 0 to 1, they were averaged to reveal an index value for the two times in question, that is, 1995 and 2002. Thus, if a province received, in any one year, the worst provincial ranking for all the constituent measures, it would receive a composite score of 0, while all other provinces receive a score of more than 0 and less than or equal to 1.

### *Social participation*

This index measures the involvement that individuals have in the wider community. Three levels of involvement were identified, namely political, family, and workplace.

- Political involvement was measured by the proportion of eligible people voting in the two most recent local government elections. Use of the local government elections gets us away from the use of the founding election of 1994, which had anomalously high turnout.
- Family involvement is measured by examining the percentage of households with a child under the age of 16 in which the household head has a partner.
- Workplace involvement is measured by the percentage of formally employed workers who belong to a trade union.

During this period the index improves somewhat, driven exclusively by a dramatic increase in rates of unionisation.

### *Quality of life*

This index is intended to measure the quality of life beyond the mere ability to access employment and services.

- Access to medical facilities is thus important as it indicates the degree to which people can address health issues. This is measured by the percentage of households reporting that they can access a hospital or clinic in less than an hour.
- Crime is viewed as an increasing threat to the quality of life. It is included in the index via the incidence of aggravated assault.
- Adult functional literacy shows the increasing extent to which adults can access the opportunities associated with the ability to read. Literacy gives people the ability to follow written instructions and thereby get better access to services and facilities, as well as other opportunities.
- The percentage of people using electrical stoves reflects, largely, the proportion of households not using wood or coal fires and thereby detracting from the quality of urban air.

### *Infrastructure*

This title is somewhat of a misnomer as it refers to the level of services associated with housing. Nevertheless, this one index captures many of the thrusts of the RDP type programmes:

- access to piped water,
- access to toilets (excluding bucket latrines),
- weekly rubbish removal,
- access to telecommunications, and
- access to electricity.

The most marked improvements can be seen in access to telephones. This is largely due to the expansion of the cellular phone industry. The composite reflects a marked improvement in conditions, which can largely be attributed to improvements in all constituent measures other than access to toilets.

### *Economic preparedness*

While the reduction in employment opportunities over the last ten years is unambiguous, the ability of South Africans to exploit opportunities is a stronger pointer to future growth. This composite attempts to capture the extent to which the population can exploit opportunities should they present themselves. The constituent measures include:

- The proportion of the adult population which is economically active,
- The average number of years of schooling,
- The extent to which grade 11 learners progress to grade 12, and
- The proportion of science and technology enrolment in tertiary institutions.

Somewhat unexpectedly, this index shows that the economic preparedness of South Africans has increased only marginally, despite marked increases in education levels (functional literacy and average years schooling). The modest progress can be attributed to greater numbers no longer being economically active and the increasing frequency of learners exiting the education system at grade 11.

### *Security*

Security was included above as a component of quality of life. However, it was thought that the issue warranted individual treatment. This index reflects not only people's exposure to violent crime, but also the likelihood that victims will see some element of justice. The constituent measures are:

- The violent crime rate,
- The court prosecution rate, and
- The conviction rate.

The latter two are correlated but point to different dimensions of the security system. The prosecution rate indicates the likelihood that a reported crime will end up with a suspect appearing in court. The conviction rate indicates the likelihood that suspects are convicted.

Table two summarises the composite indices for the two periods, 1995 and 2002:

Table 2 – Comparison of composite index measures, 1995 and 2002

	1995	2002
Social participation	0.41	0.49
Quality of life	0.52	0.67
Infrastructure	0.46	0.60
Economic preparedness	0.49	0.52
Security	0.53	0.40

Three of the composite indices reveal marked improvement between 1995 and 2002: social participation, quality of life, and infrastructure. The particularly impressive increase in the quality of life index may be somewhat surprising in light of a worsening of economic conditions. This reflects the fact that the statistics constituting the index are not directly related to individuals' economic situation, and in large measure capture government's social investments that can be enjoyed especially by poorer households to whom they were previously denied.

The index measure for economic preparedness is relatively stagnant between 1995 and 2002, owing to the countervailing trends of better education on the one hand, and a proportionate shrinkage of the economically active population.

The composite index for security showed a marked deterioration between 1995 and 2002.

Overall, the picture that emerges from the suite of composite measures is complex, reflecting the complexity of the South African situation: there has been a great deal of change, some good and some bad, depending on the interaction of government investments with social and economic trends.

### 2.3 Statistical relationships between expenditure and outputs for selected services

The analysis of the relationship between expenditure and changes in living conditions must be underpinned by the understanding that there are many factors that lead to such changes. These factors variously contribute or detract from living conditions. For example, while increased health expenditure would 'normally' result in better health standards, this trend may be undermined by increasing unemployment and a higher incidence of HIV/AIDS. If the latter did reduce health standards, increased expenditure on health may simply ameliorate a decline in health standards. Consequently, without an understanding of the wider environment, increased health expenditure may be efficacious yet could be associated with declining health standards. Similarly, improving conditions may be attributable to factors other than the state expenditure. For example, the increase in average education levels may be attributable less to expenditure than to the changing criteria for passing or failing students.

Amidst these dynamics the primary objective of this analysis was to determine the extent to which state expenditure/investment contributed to improved living conditions for South Africans, measured as access to certain services, that is, outputs. While the complexity of the situation was accepted *ab initio*, the identification of the correlation between expenditure and impact was the point of departure for the analysis. The initial objective, using the example of health expenditure, would be to identify the relationship between expenditure and health irrespective of the impact of

HIV/AIDS. In essence the first step of the analysis is to explore if there is a statistically reliable correlation between expenditure and impact for each of the main programmes. While a correlation between expenditure and impact may imply a casual relationship, no such relationship can be assumed. Furthermore, the absence of a correlation does not necessarily indicate that general changes cannot be attributed to the respective government programme; given the predominance of government investment in simple monetary terms, it might point in that direction.

The first order was to identify how the impact if state programmes could be measured. Impact could be measured if adequate information existed for the beginning and end of the time period under review. As a rule statistically reliable information of changes in social conditions at below provincial level is only available from the censuses conducted in 1996 and 2001. Even then, measures are often only available by proxy. The census for example does not speak reliably about the health of respondents, but it does speak to the access households enjoy to health facilities. The latter would then be used to as a proxy for access to health services and thus as a proxy for their standard of health. The census is more helpful with respect to identifying changes in access to household services like housing, cleaned piped water, electricity, etc. By comparing the prevalence of the average household's access to any given service in 1996 and 2001, the changing levels of access can be measured. By correlating these changes to state expenditure in each municipality it is possible to correlate expenditure to impact and across a relatively high number of observations, i.e. over 280.

Obviously some municipalities have bigger populations than others, and their expenditure has to be commensurately greater before its impact will become evident. In order to take population size into consideration expenditure is best considered in per capita or per household terms. However, as a rule, government departments are only able to provide gross expenditure figures for municipalities, i.e. they were not able to provide demographic or economic profiles of beneficiaries in municipalities. The upshot of this is that the expenditure cannot be reliably attributed to that population which was meant to benefit from the policy. As the spillover of benefits from the target populations to the rest of the population affects the efficacy of any programme, it could not be assumed that expenditure effectively targeted intended beneficiaries. Under these circumstances the relationship between changing service levels and per capita expenditure for the entire population was explored. At this level of analysis, the overall trend was inevitably influenced by investment and changes in service levels experienced by, for example, the wealthy. Obviously these trends could make opaque any correlation between expenditure and service levels enjoyed by the intended beneficiaries.

In the absence of information detailing the profiles of beneficiaries, the most viable alternative to examining trends for the population as a whole was to examine the impact of the expenditure on the 'poor' only. By defining the 'poor' in a way that ensured that little expenditure spilled over onto the non-poor, a somewhat clearer picture of the impact of state expenditure on the poor could be achieved. For the purposes of this exercise the 'poor' were defined as the poorest 40% of households. These households have monthly earnings of less than approximately R1 200 per month in 2002 Rand.

With the above considerations in mind, statistical relationships were tested econometrically using ordinary least squares. The following services were examined: water, electricity, housing, and sanitation. It should be noted that these correspond to only one area touched on among the 10 discussed in this synthesis report, namely 'Infrastructure and Services' (see Section 3). Thus rather than report the detailed findings in respect of the water, electricity, etc., here we confine ourselves to qualitative and/or generic findings. Graphical representations of some of the relationships studied are provided in Appendix 3.

The main findings are as follows:

- Access to some services, such as water and electricity, managed to increase fast enough to outpace with the dramatic rise in the total number of households.
- In the absence of the declining average household size, service delivery would have been able to expand in coverage by around 50% more than was the case.
- Access to improved sanitation has failed to keep pace with demographic change; 50% of municipalities have experienced declines in access to improved sanitation between 1996 and 2001, although interestingly access to improved sanitation by the poor has deteriorated in only 30% of municipalities,
- A large share (up to 50%) of the increased access to services was not on account of government investment, or was not on account of the government programmes one most closely associates with that service. This holds true as well for access by poor households, though not to the same extent. For example, only 40% of the additional housing accessed by poor households was on account of government's subsidised housing schemes. As a second example, however, government's housing schemes account for a large fraction of the increased accessibility to electricity and piped water, reducing the 'burden' of the Integrated Electrification Programme and Community Water Supply and Sanitation Programme.
- Statistical relationships between government expenditure and improved access are difficult to establish, for the population in general but especially for the poor. This is so for the reasons indicated – i.e. changes in the number of households over time, distinguishing from government-provided services from those provided privately, or indeed by those provided by a different programme within government – as well as the fact that many households have moved into poverty as of 2001 who were not poor in 1996.
- It appears that delivery can result in increased demand, which also may account for a failure to remove 'the backlog' of service access more quickly. An example is the government housing programme, which might actually have the effect of encouraging household unbundling, e.g. by providing opportunities for some family members to find separate accommodation (and thus appear as distinct households), leading to the impression of reducing household size.
- The perception of success or failure in improving access, and the costs of doing so, depends a great deal on the specific strategy in that sector, and initial conditions of service access within that sector. For example, for electricity, the bulk of expenditure of the IEP has taken place in urban areas, presumably because it is relatively inexpensive to focus on people dwelling close together. However, because urban households were already relatively privileged in terms of electricity access in 1996, the *percentage increase* in electricity access in urban areas between 1996 and 2001 appears relatively low.
- By contrast, the CWSS has focused on areas of greatest need, which is rural areas. The per capita costs of improved access to piped water in rural areas is very high, but the percentage improvements of access to poor, rural dwellers is significant, not least because these areas started from a low base. On the other hand, delivery costs also vary

widely between rural areas, with the result that it becomes especially difficult to trace a clear relationship between expenditure and increase access at municipal level.

- 'Leakage' to the non-poor contributes to the inability to reach a greater fraction of the poor, but relative to the increased number of households, and of households in poverty, is not the main factor.



### 3 OVERVIEW OF GOVERNMENT PROGRAMMES AND BUDGETS

The ten main 'programme areas' are listed below together with their component activities. It should be noted that some of the programme areas are formal initiatives, i.e. which are overseen by a particular department and whose constituent programmes/activities are defined in terms of that programme area. Such is the case for example with the social assistance grant system and the Poverty Relief Programme, which are overseen by the Department of Social Development and the National Treasury, respectively. Most of the other programme areas, on the other hand, are generic categories that are widely recognised or defined for the purposes of this exercise, but whose components may be initiatives of different departments and which may or may not be co-ordinated.

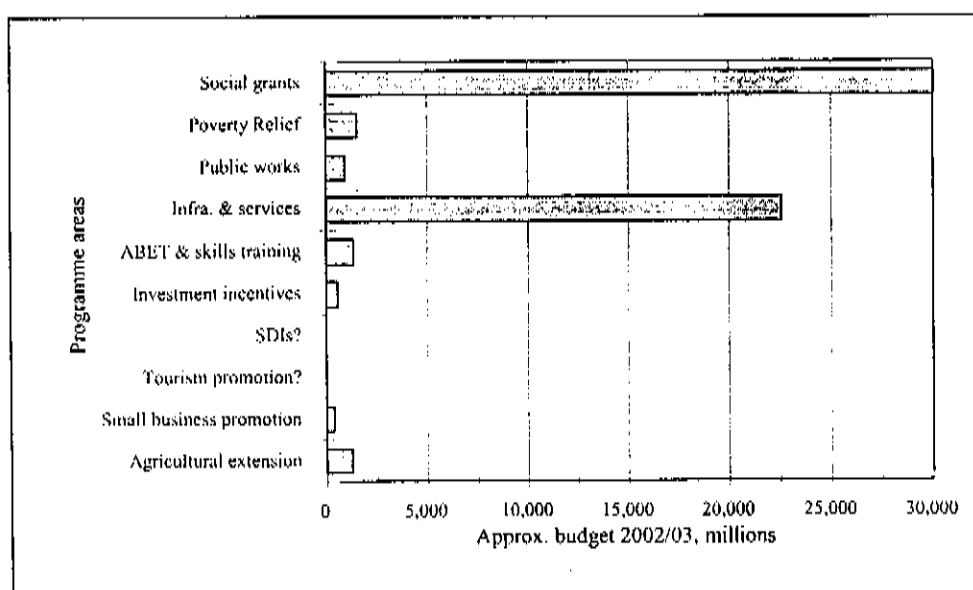
Table 3 – Overview of programmes

Programme Area	Programmes/Activities
Social assistance grant system	Old age pensions, Child support grants, Disability grants, Foster care grants, Care dependency grants, etc.
Poverty Relief Programme	Involvement of 14 government departments in: LandCare, Food Security, Investing in Culture, Rural School Building, ABET, Tourism Development, Coastal Management, Waste Management, Household Nutrition projects, Social Rental Housing, Employment Services & Social Plan Information, Social Plan Technical Support Facility, Local Economic Development and Social Plan, Community Based Public Works Programmes, Agricultural Processing Projects, Social Development Programmes, Building for Sport and Recreation, Rural roads and bridges, Working for Water, Community Water Supply & Sanitation, and Spatial Development Initiatives
Public works	LandCare, Rural School Building, Community Based Public Works, Building for Sport and Recreation, Rural roads and bridges, Working for Water, Community Water Supply & Sanitation
Infrastructure and services (excluding public works)	House Building and Subsidy Programme, Electrification Programme, Transport and Communications, Consolidated Municipal Infrastructure Programme, etc.
Human resource development	ABET, Skills development, Training for Unemployed People
Investment incentives (excluding infrastructure)	Small, Medium Manufacturing Development Programme, MDP incentives, Tax holiday scheme, Competitiveness fund, Sector partnership fund, Enterprise development
Spatial development initiatives (SDIs)	Wild Coast SDI, Fish River SDI, Maputo Corridor SDI, Gariep SDI, Limpopo SDI, Lubombo SDI, etc.
Tourism promotion	Small, Medium Enterprise Development Programme, Tourism Enterprise Programme, DEAT Poverty Relief tourism projects, IDC Tourism Strategic Business Unit
Small business promotion	Ntsika, Khula, Small, Medium Manufacturing Development Programme
Agricultural extension services	Extension services provided by provincial agriculture departments, collectively having 3034 extension personnel

It should be clear from the table that there is considerable overlap among these programme areas, in that a number of the component programmes/activities are common to two or three of them. For example, public works programmes are among the activities financed through the Poverty Relief Programme; some public works programmes focus on infrastructure investments; infrastructure investment is a major component of most SDIs and forms part of the overall tourism promotion strategy; etc. Beyond this, the distinctions between the programme components are sometimes blurry. For example, infrastructure projects that are not explicit labour-using public works projects, may also employ local people and certainly have the effect of boosting employment generally.

Figure 1 illustrates the approximate budgets for the programme areas for 2002/03, taking into account the component programmes/activities.

Figure 1 – Approximate budgets for main programme areas



Notes: No data are available for SDIs and Tourism promotion. For Public works, 69% of the budget is accounted for by CBPWP and WfW. The figure for 'Infrastructure and services' is based mainly on consolidated government budget figures, as reported in the National Treasury's Medium Term Budget Policy Statement (2002), but may be too low. The figure for Small business promotion is principally for the Medium Manufacturing Development Programme, but also includes R60 million in support to Ntsika and Khula; however, it does not include Khula's loan disbursements.

The graph reveals that, in terms of budgets, there is an enormous discrepancy between social grants and infrastructure/services, on the one hand, and most other programme areas, on the other hand. (The comparison is incomplete owing to an absence of figures for SDIs and tourism promotion; however, to the extent the former is also large it is largely on account of infrastructure expenditure, while tourism promotion is almost certainly small). Although it is not suggested or assumed that expenditure equals impact, the comparison does begin to suggest that, at the very least, some programme areas are likely to be considerably more visible than others.

## 4 IMPACT

The strategy of this section is to proceed according to the five main dimensions of impact that were introduced above (Section 1.2), and within each of these to touch on all of the main programme areas. Because the information is so abundant, it is organised in tables, following which overarching observations are made in narrative form. Where possible, an attempt is made to cite specific examples from the theme papers and case studies, as well as secondary sources. The main sources of information are the theme papers and area case studies, complemented where appropriate with insights from secondary studies, the findings from the composite indicator exercise (see Section 2.2), and the findings from the statistical exercise linking expenditure to outputs (see Section 2.3).

### 4.1 Recipient-level impact

In considering recipient-level impact, we ask to what extent the programme or project achieves its objectives for the individuals or households who are directly engaged with it. We hold in abeyance considerations of whether enough or the right people are reached.

Table 4 – Recipient-level impact of programmes

Programme area	Assessment	Comments
Social assistance grants	<i>Very positive</i> Vitaly important to the day-to-day survival of many recipient individuals/households.	<ul style="list-style-type: none"> <li>Does not necessarily make poor households non-poor, but prevents much more wide-scale destitution.</li> <li>Increasingly important given increased levels of unemployment.</li> </ul>
Poverty Relief Programme	<i>Limited; variable; uncertain</i> The Poverty Relief Programme encompasses diverse types of projects; generally, benefits appear transitory and/or insubstantial, but quality of information is poor so it is difficult to judge. (These questions were meant to be largely answered by the recently completed evaluation of the Programme commissioned by the National Treasury; however, Treasury has chosen not to release the findings of this study.)	<ul style="list-style-type: none"> <li>Note: overlaps with public works and tourism promotion.</li> <li>Impact of income-generating projects largely unknown, but suspicions that excessively 'supply-led'.</li> <li>Apparent lack of continuity over time in poverty relief strategies, e.g. in OR Tambo Municipality.</li> <li>Data very difficult to acquire and of variable quality.</li> </ul>
Public works	<i>Positive but limited; uncertain</i> Benefits significant but generally very transitory; extent of skills transfer not known.	<ul style="list-style-type: none"> <li>Fills an important niche, i.e. assisting those who are not eligible for grants.</li> <li>Longer-term economic significance of infrastructure difficult to assess but certainly positive.</li> </ul>
Infrastructure and services	<i>Very positive</i> There is copious evidence that those acquiring access to water, electricity, health care, and housing, experience significantly improved welfare. Moreover, economic infrastructure, such as roads, the new Nelspruit airport, etc., are generally positive for the local economy. The new airport is also an example of an infrastructure investment that was strategically placed so as to add huge value to the local community's land asset, on which it is partially located, such that the community now earns dividends.	<ul style="list-style-type: none"> <li>Major limitation is inability to pay, and/or resistance to paying, for services, e.g. water and electricity.</li> <li>Maintenance is sometimes inadequate, leading to frustration.</li> <li>High cost of transport due to tolls was not raised in the case studies, but presumably is a potential problem, and has certainly been the source of protests.</li> </ul>
Human resource development (ABET)	<i>Uncertain</i> Inherently difficult to assess the relationship	<ul style="list-style-type: none"> <li>Potential impact would appear to be highly limited by the overall economic</li> </ul>

Programme area	Assessment	Comments
and skills training)	between ABET/training and economic benefits. Content of training programmes varies widely.	<p>environment – some training as a consequence appears to be largely ineffective, e.g. tourism training in Wild Coast SDI.</p> <ul style="list-style-type: none"> <li>▪ Notwithstanding uncertainty and likely limitations, HRD is presumably indispensable.</li> </ul>
Investment incentives	<p><i>Uncertain</i></p> <p>There is reason to suspect that many investors who benefit from incentives may well have invested – and invested to the same degree – in the absence of those incentives. However, available information does not allow impact of investment incentives to be assessed at recipient-level. (See following section on scale.)</p>	
SDIs	<p><i>Variable</i></p> <p>Most SDIs examined are just beginning to show tangible activity. Infrastructure investments are significant and result in creation of short-term jobs. Longer-term impacts are unknown, especially in terms of promised 'spin-offs,' e.g. SMMEs.</p>	<ul style="list-style-type: none"> <li>▪ Information re impacts/benefits provided by some authorities is suspect, making assessment difficult (e.g. claims re Maputo Development Corridor's impact on HDI-owned tourism SMMEs could not be quantified or clarified, despite undertakings of Mbombela Local Municipality to furnish information).</li> <li>▪ Success in attracting private investment is variable, e.g. Wild Coast SDI has generally failed to attract private investment in tourism, but industrial investment within Fish River SDI has been significant and promises to increase.</li> <li>▪ Link to SMME support most visible and probably successful via procurement policies.</li> </ul>
Tourism promotion	<p><i>Variable</i></p> <p>DTI's SMEDP incentive (grant) programme, and DEAT's ITMAS programme (which has been discontinued) have been considered extremely useful by their beneficiaries. DEAT's support to tourism SMMEs funded via the Poverty Relief Programme has arguably been focussed excessively on infrastructure without due attention to capacity building and assistance with marketing strategies. IDC's Tourism Strategic Business Unit has been in operation too briefly to allow an assessment. Financial and advisory support to tourism SMMEs via Khula and Ntsika has been limited due to lack of specific expertise in tourism as well as general institutional weaknesses.</p>	
Small business promotion	<p><i>Moderately positive</i></p> <p>Businesses that receive assistance through various government-support programmes or facilities sometimes benefit a great deal. This holds for credit obtained through retail financial institutions that on-lend from Khula, to businesses that receive assistance through specialised programmes of</p>	

Programme area	Assessment	Comments
	government departments such as DTI's SMEDP scheme, and to some extent from the Tender Advice Centres, Manufacturing Advice Centres, and the general business advisory services available from Ntsika-accredited local business service centres (LBSCs). A major constraint is that those entrepreneurs that benefit the most from these support services are not generally those that need it most. Khula's credit guarantee scheme has succeeded in catalysing a much higher degree of engagement of banks with SMMEs (Berry <i>et al.</i> , 2002).	
Agricultural extension	<i>Positive or very positive</i> The majority (66%) of small-scale farmers who receive extension advice characterise it as "very helpful" and a further 25% as "helpful" (Rural Survey, 1999). Reliance of large-scale commercial farmers on extension is modest and declining.	

Most of the programme areas have at least some aspects that have positive or very positive impacts at the level of the beneficiary. This suggests that, with some exceptions, few programmes are fundamentally flawed, though some may require reformulation or even rationalisation. It must be stressed that a positive recipient-level impact does not necessarily imply that the programme is efficacious in the broader sense.

If there is any pattern as to which types of programmes tend to have a discernibly positive recipient-level impact, it is those for which government (directly or through its agents) retains a high degree of control over the activities, for example in transferring money via grants, employing people through public works programmes, or contracting companies to install new infrastructure or services. Programmes that support beneficiaries who are subjected to market vagaries, or that depend on voluntary investments by private sector counterparts, are more apt to show mixed or poor results.

A second observation is that our information is rather poor about the recipient-level impact of a number of programmes, owing mainly to a lack of data and lack of accessible evaluations.

## 4.2 Scale of engagement

For scale of engagement, we seek to assess whether the scale of delivery of the programme or initiative is significant, mainly relative to the problem that the programme is ostensibly trying to address. Although data are used in making this determination, it must be acknowledged that what is or is not "significant" comes down to a subjective judgement. A rule-of-thumb guideline followed is that if the programme affects less than 5% of the population it is ostensibly designed to help, then it is considered "insignificant" in scale, whereas if it is between 5% and 15%, it is considered "inadequate". Having said that, there is also the argument that a number of small interventions may have significant cumulative power if considered together rather than individually. This argument is all the more difficult to evaluate given that there are numerous government initiatives, other than those covered here, that also play a role in poverty reduction.

Table 5 – Scale of engagement of programmes

Programme area	Assessment	Comments
Social assistance grants	<i>Very significant</i> 5.9 mn people receive some kind of social assistance grant, encompassing 2.9 mn different households (or around 25% of all households).	<ul style="list-style-type: none"> <li>The total number of beneficiaries has increased by 100% between 1997 and 2003, owing to the concerted efforts of DSD to improve uptake among eligible people.</li> <li>Uptake of the Child Support Grant increased enormously since its introduction in 1997 and now exceeds 2 mn. However, it stands at around half of its potential uptake in terms of the old cut-off of 7 years, and given the new policy to be phased-in allowing older children, will likely be scaled up even more.</li> </ul>
Poverty Relief Programme	<i>Insignificant</i> The overall scale of the Poverty Relief Programme is too small for it to make a significant difference relative to national needs, or even relative to the social grant system. Even those parts of the Poverty Relief Programme that are efficacious in terms of recipient-level impact, have almost no overall significance due to lack of scale.	<ul style="list-style-type: none"> <li>Taking together CBPWP, CWSS, Working for Water, and LandCare, the total number of jobs created per year is around 70 000 to 110 000; by contrast, around 5.9 mn people receive social grants and about 2.9 mn different households receive one or more social grants.</li> <li>Total budget for the Poverty Relief Programme for 2003/04 amounts to less than 6% of the total expenditure on social grants anticipated for this year, not even taking into account the administrative costs of the grant delivery system.</li> <li>A specific example from poverty relief projects in the OR Tambo District: the average number of people that benefit per year is approximately 0.3% of those who are below the poverty line.</li> <li>The number of unemployed individuals currently exceeds 10 mn (Census '01, narrow definition), in relation to which 110 000 temporary jobs is a negligible 1.1%.</li> </ul>
Public works	<i>Insignificant</i> See comments above re Poverty Relief Programme.	<ul style="list-style-type: none"> <li>See comments above re Poverty Relief Programme.</li> </ul>
Infrastructure and services	<i>Significant</i> With few exceptions, the scale of infrastructure and service delivery is impressive. This is reflected, <i>inter alia</i> , in the fact that the composite indicator for infrastructure increased from 0.46 to 0.60 between 1995 and 2002.	<ul style="list-style-type: none"> <li>The case studies showed some evidence of discontent at the pace of delivery; however, what are and are not 'reasonable' expectations is difficult to gauge, and most respondents acknowledged improvements in at least some areas.</li> <li>In some cases, e.g. sanitation, the pace of delivery has been outpaced by the growth in the number of households, and in other cases, e.g. housing, negative trends in housing indicators in specific provinces relates to inter-provincial population movements.</li> <li>Main constraints in expanding scale appear to be: lack of capacity, esp. in local government; sometimes poor</li> </ul>

Programme area	Assessment	Comments
		intra-governmental co-ordination; community in-fighting (see e.g. case study discussion on Dan Village); lack of clarity re underlying tenure rights (see e.g. case study on Mbombela Local Municipality); and lack of budget.
Human resource development (ABET and skills training)	<i>Variable</i> The overall scale of both ABET training and training of unemployed people remains grossly inadequate.	
Investment incentives	<i>Fairly insignificant</i> The collective take-up of investment incentives is much too small to have any aggregate decisive effect on firms' investment decisions.	
SDIs	<i>Significant</i> SDIs are large almost by definition. Their heterogeneous nature makes it difficult to quantify their scale, but their infrastructure components are highly visible and directly affect large numbers of people.	
Tourism promotion	<i>Variable</i> Investment incentives through DTI's SMEDP are small even relative to those available for manufacturing. The outreach of various measures to support tourism-based SMMEs has been even poorer than insufficient support to SMMEs generally.	<ul style="list-style-type: none"> <li>▪ In 2003, black-owned enterprises represent only 5 percent of the tourism economy.</li> </ul>
Small business promotion	<i>Inadequate</i> Poor awareness of and access to DTI programmes is a stronger factor behind programme disappointments rather than an inappropriate geographical distribution of service provision.	<ul style="list-style-type: none"> <li>▪ It would be an error to take the large increase in the number of SMMEs as an indication that government's SMME support programmes have succeeded. Rather, the largest numbers of new SMME births occur as a result of the failures of the formal economy and as a result of people setting up informal and micro-enterprises in the absence of formal work opportunities. Although the evidence is sketchy, it appears that only a very small minority of these start-up SMMEs enjoy any direct support, whether from government or NGOs.</li> <li>▪ The broad conclusions among critics are that: "Too few (black) SMMEs are reached, too little funding is available, too many centralised top-down programmes are considered – by Ntsika, Khula and DTI, and delivery is felt to fall far short of initial promises, let alone expectations" (Qualmann, 2001). A core aspect of delivery failure has been that government programmes in general have not been reaching their target groups (Berry <i>et al</i>, 2002).</li> </ul>
Agricultural extension	<i>Inadequate</i> According to the 1997 Rural Survey, only 10%-11% of small-scale farmers in the former homelands had had any contact with an extension agent in the previous 12	<ul style="list-style-type: none"> <li>▪ Agricultural extension is an anomaly in that there is poor outreach even (or maybe especially) in provinces with larger numbers of extension agents. Much of the problem has to do with</li> </ul>

Programme area	Assessment	Comments
	months. The present situation is unknown, but it is very unlikely that there has been dramatic improvement.	excessive budget shares going to support large numbers of 'supernumeraries,' at the expense of operational budgets for transport, retraining, etc. (Aliber and Johnston, 1998a).

A key feature distinguishing the government's system of social assistance grants from the Poverty Relief Programme, public works, human resource development initiatives, and others, is that in terms of putting cash into the pockets of poor households it operates on an entirely different scale. For example, the total budget for the Poverty Relief Programme for 2003/04 amounts to less than 6% of the total expenditure on grants anticipated for this year, not even taking into account the administrative costs of the grant delivery system. If one were to extract the portion of the budget for the Poverty Relief Programme that is ultimately spent on wages or translates into the generation of SMME incomes, this difference would appear all the greater. According to Urban Econ and Mawatsan (2003), "During 1999 to 2002, about 24.6% of the [Poverty Relief] fund reached the poor in the form of salaries and wages, of which a relatively large part (about 30%) was directed toward temporary jobs with an average life span of about 70 days." If this figure is correct, then the aggregate direct cash receipts of poor households from grants is over 200 times greater than that from temporary employment on public works projects falling within the Poverty Relief Programme.

Infrastructure investments were the other main area where significant scale was achieved. One of the more marked changes in the inter-census period 1996-2001 is the extent to which households are able to access piped water and thus conveniently get clean, chlorinated water. Households are increasingly able to access water piped into their homes or to their stands or a public tap. During this period the proportion of households that had access to piped water increased from 73% of household to 80% of all households – notwithstanding a 30% increase in the total number of households over the period. Other major successes were the housing subsidy scheme and the Integrated Electrification Programme, although the statistical analysis summarised in Section 2.3 calls into question whether the housing programme and IEP only count for a share of improved access to housing and electricity, respectively.

As with the Poverty Relief Programme and public works, there is also reason for concern about discrepant scales in skills development. While skills development among those who are already employed is picking up, training of unemployed people remains conspicuously small. The 100 000 unemployed people that presently receive training per year represents a tiny fraction (about 1%) of those who are unemployed.

What explains these divergent scales is difficult to know. One factor is certainly that social assistance grants are essentially entitlements: having agreed on the nature of the grants and eligibility criteria, the Department of Social Development is effectively obliged to consciously strategise to deliver at scale. The situation with infrastructure and service delivery is probably different, but likely benefits from the reliance on private contractors and painstaking planning on the part of responsible departments. Although the case studies bore testimony to the lack of capacity at local government level and problems of intra-governmental coordination, the fact that the scale of delivery occurred to the extent it has despite dramatic changes in governance structures underscores rather than detracts from the achievement in this area.

Scale seems more apt to be grossly inadequate for programmes that entail more involved interaction with target beneficiaries, whether they are hired as part-time workers, supported to create income-generating projects, assisted with their SMMEs, or indeed taught. The slowness of the People's



Housing Process in the Mbombela case study is also a case in point. This is not to suggest that such initiatives should be avoided, but to flag the possibility that reaching scale is especially difficult in interventions that rely predominantly on significant discretionary government-to-person interaction. The constraint may not be the bureaucracy as such, but the inherently difficult work of interactive engagement with clients coupled with the high cost of dedicating the necessary staff complement for such work.

A final reason for inadequate attention to scale appears to be poor departmental strategising. Two examples of this are given from the secondary literature on the rural sector. First, in an assessment of the service orientation of provincial agriculture departments in the late 1990s, it was found that a number of provincial departments simply failed to *quantify* their various client groups (e.g. the number of small-scale versus large-scale farmers in the province), and thus had no basis for determining how to direct their extension service resources (Aliber and Johnston, 1998a). Second, the design of the new flagship redistribution programme of the Department of Land Affairs suffers from 'arithmetic failure,' i.e. an inability to appreciate that the scale of delivery provided for is nowhere near commensurate with the scale of the problems of landlessness or rural unemployment, nor even with the DLAs own delivery target of redistributing 30% of the land in 15 years (Aliber and Mokoena, 2003).

### 4.3 Targeting

By "targeting," we refer not to the intentions regarding the absolute level of delivery, but rather the policy decision regarding the distribution of benefits among different 'types' of possible recipients. Different programmes have different targeting policies, including targets relating to the identity or poverty status of the beneficiary, and geographical targets, which typically entail a commitment to prioritise the poorest provinces. The discussion here is not to question the value of these targets, but to comment on how well or poorly the targets are met.

Sometimes, of course, targets in this sense are not expressed, or they may be indicated qualitatively but not quantified.

Table 6 – Targeting of programmes

Programme area	Assessment	Comments
Social assistance grants	<i>Very well targeted</i> Social assistance grants are awarded to only specific categories of eligible people, and the re-registration process has seemingly cleared the rolls of fraudulent recipients. The means-testing procedures appear to be function reasonably well such that the grants are largely directed at the poor: the poorest quintile receiving the largest share of the total expenditure on grants, and with grants comprising the largest share of income among those in the poorest quintile.	
Poverty Relief Programme	<i>Well targeted</i> The various constituent initiatives funded by the Poverty Relief Programme tend to have a variety of specific targets, e.g. in respect of women, youth, and the disabled. Generally these targets are being met or nearly met, though in some instances it is not possible to be certain owing to a lack of data. Other evaluations (e.g. S&T, 2001)	

Programme area	Assessment	Comments
	support the conclusion that the public works components generally succeed in abiding by their targets.	
Public works	<i>Well targeted</i> See comments above re Poverty Relief Programme.	▪ See comments above re Poverty Relief Programme.
Infrastructure and services	<i>Well targeted</i> The administrative data on which much of the present exercise was based did not give enough insight as to the success of targeting. There is some indication from the case studies that rural areas lag in service delivery, which one would expect given the higher costs of infrastructure provision there. The fact that infrastructure and service delivery are generally well targeted in the generally sense of being redistributive, is rigorously demonstrated by van den Berg (2000).	
Human resource development (ABET and skills training)	<i>Unclear</i> The distribution of expenditure on ABET by province does not appear to match the distribution by province of illiteracy, nor is there even sufficient certainty in some provinces as to whether expenditure classified as ABET-related is actually used for that purpose. Similarly, although training for unemployed people appears to be well targeted in respect of women, the distribution by province of numbers of those benefiting from training bears little relation to the distribution of unemployed people themselves.	
Investment incentives	<i>Poorly targeted</i> Overall, Government's investment incentives have not been targeted sufficiently well vis-à-vis the goal of shifting the spatial pattern of investment and thus economic activity. About 60% of RIDP payments, and 50% of SRIDP payments, went collectively to Western Cape and KwaZulu-Natal, notwithstanding that the RIDP was not available to Durban or Cape town, and that the SRIDP was not available to the 'Durban core'. (Neither were available to PWV/Gauteng.)	▪ For the RIDP, the six provinces other than Gauteng, Western Cape, and KwaZulu-Natal accounted for 35.5% of RIDP incentives, versus their 23.7% share of total manufacturing value-added. For the SRIDP, the seven provinces other than Gauteng and KwaZulu-Natal accounted for 38.0% of SRIDP incentives, versus their 38.7% share of total manufacturing value-added.
SDIs	<i>Uncertain</i> SDIs involve such a diversity of activities that it is difficult to distil useful statements about what the targets are, never mind whether they were achieved.	▪ There is some indication from the case studies (e.g. Mbombela) that, in terms of small-scale businesses benefiting from SDIs, a disproportionate share are white-owned, although targeted procurement policies could in principle limit the extent to which this is so.
Tourism promotion	<i>Poor</i> DEAT's ITMAS programme was suspended after four years for failure to promote transformation and to create capacity. DTI's SMEDP programme has overwhelmingly favoured white investors. DEAT's support to tourism SMMEs funded through the Poverty Relief Programme, is	

Programme area	Assessment	Comments
	geographically targeted according to the Priority Areas for Tourism Investment Infrastructure, which is a reasonable way of prioritising and focussing support to the sector. IDC's Tourism Strategic Business Unit is struggling to identify 'quality empowerment applicants' that have the basic capital in hand and that meet other qualifying criteria.	
Small business promotion	<i>Mixed</i> A disproportionate share of financial support to small business goes to non-HDIs. Business advice is less skewed in this way, but tends to favour urban areas.	
Agricultural extension	<i>Improved</i> Since 1994 there has been a significant shift in service orientation of provincial agriculture departments away from large-scale commercial farmers and towards small-scale and emerging farmers.	<ul style="list-style-type: none"> <li>Düvel's survey (2002) found that the share of extension agents' time spent on large-scale commercial farmers is around 12%, versus 23% for small-scale commercial farmers, 33% for subsistence farmers, and 16% for LRAD (land redistribution) farmers. Arguably however this places excessive emphasis on LRAD, which at the time of the survey involved less than 0.3% as many households as are involved in subsistence agriculture.</li> </ul>

Success in targeting is highly variable. Social grants, public works, infrastructure and services, and to some extent small business promotion and agricultural extension, are targeted well or very well; investment incentives and tourism promotion are poorly targeted; and SDIs and small business promotion have shown mixed success in targeting. Success in targeting appears to relate to two factors. First, it is contingent upon having clearly articulated targets in the first place, which are lacking in investment incentives and many tourism promotion activities (see respective theme papers).

Second, success in targeting is more likely in programme areas in which the clients'/beneficiaries' existing capacity or resources are not critical. Put differently, when competing for government assistance, e.g. to create a new business or expand an existing one, those with more financial and political resources are likely to prove more competitive, and thus to capture a disproportionate share of the benefits. This often means that white-owned businesses have out-competed black-owned ones in securing government assistance, even if they are less deserving and even if this contradicts the programme's intentions.

It appears that the mal-distribution of benefits can sometimes also take place *within* a poor community. Numerous claims emerge in the case studies that benefits tend to be distributed for reasons of political patronage. Thus those that get to the top of the housing queue, or get the short-term public works jobs, or win the contract to perform a service for the municipality, are those who are politically connected or upon whom the local counsellor will most depend for re-election. To some extent these claims are inevitable and may not reflect the reality: where benefits are so modest that only a minority of deserving people get a share, allegations of this sort are bound to arise in the general public. However, in some cases substance was given to these allegations by officials who were interviewed, and who cited specific instances of patronage.

#### 4.4 Durability and sustainability

Two distinct but related considerations are at issue here: first, whether the impact of an intervention on a particular individual, household, company, or community, endures beyond the period when it actively receives government support through the programme; and second, whether the programme itself is sustainable as a government activity. Neither of these is easily assessed on the basis of the theme papers and case studies, and we rely as much on reasoning and secondary analyses as direct observation.

In terms of the concern for the durability of benefits for a particular recipient/client, it should be noted that not all interventions are meant or expected to have enduring effects, and thus the question is not necessarily whether an intervention failed to ensure durable benefits to a client, but whether the intervention's inherently non-durable benefits mean that the intervention is possibly inferior to other types of interventions. These questions are merely raised in the discussion that follows.

Table 7 – Durability/sustainability of programmes

Programme area	Assessment	Comments
Social assistance grants	<p><i>Mixed</i></p> <p>The system as a whole is durable and has benefited from continuous improvements over time, e.g. in terms of administration. (Problems experienced with service providers are dealt with in due course, and systems and procedures appear to be under continuous scrutiny.)</p> <p>At the level of the recipient, most are limited in how long they can receive the grant by life events, e.g. aging (CSG) and death (old age grants), which is arguably one advantage of focussing on children and the elderly.</p>	<ul style="list-style-type: none"> <li>From a fiscal perspective, the social grant system is probably the most cost-effective, and thus sustainable, means of mitigating widespread, deep poverty. (Assessing the overall fiscal implications of the social grant system goes beyond the ambit of this exercise.)</li> </ul>
Poverty Relief Programme	<p><i>Mixed</i></p> <p>The Programme as a whole is sustainable in the sense that its overall budget is not enormous and there is no reason in principle why it cannot continue. The sustainability/durability of the projects created within the Programme is something else.</p> <p>For infrastructure-oriented public works projects, maintenance is at least as great a problem as for non-public works infrastructure projects, and probably more so, e.g. communities and councillors are often unaware of their on-going responsibilities in respect of maintenance, nor is there always budget provided for maintenance (S&amp;T, 2001).</p> <p>For income-generating projects, sustainability is not clear, but on the basis of evaluations of similar projects – i.e. those that are structured as co-operatives and rely on outside resources for technical and financial assistance – there is ample reason for worry (see e.g. Aliber <i>et al.</i>, 1998b).</p>	
Public works	<p><i>Mixed; unclear</i></p> <p>For infrastructure-oriented public works projects, maintenance is at least as great a problem as for non-public works</p>	

Programme area	Assessment	Comments
	infrastructure projects. Communities and councillors are often unaware of their on-going responsibilities in respect of maintenance, nor is there always budget provided for maintenance (S&T, 2001). Sustainability of conservation-oriented public works has been raised as a concern by some observers (e.g. EDA Trust, 1999), but it is unclear what the situation is generally.	
Infrastructure and services	<i>Mixed</i> Uneven maintenance of infrastructure emerges as a major concern among interviewees in some of the case studies. Problems with collection of charges is serious, whereby citizens expressed resistance or inability to pay, and municipal officials noted the negative financial implications of non-payment for continued service delivery.	
Human resource development (ABET and skills training)	<i>Positive</i> Skills training via the Skills Levy is likely to pick up with time over its present low level. The future of training for unemployed people and of ABET is unclear, but the budgets are modest and there are no intrinsic weaknesses that make the programmes unsustainable.	
Investment incentives	<i>Mixed</i> There are no intrinsic weaknesses that make the investment incentives schemes unsustainable. Whether investment catalysed by incentives is durable is unlikely, as investors are quick to respond to changing circumstances.	
SDIs	<i>Positive; unclear</i> The infrastructure components of SDIs are apt to be sustainable due to the partnership model that is used and the manner in which it incorporates mechanisms for cost-recovery. The secondary components such as tourism and agro-industry have yet to materialise to a significant degree, thus sustainability is not yet an issue.	
Tourism promotion	<i>Uncertain</i> There is no reason in principle why the sort of support presently on offer to the tourism industry, including that to SMMEs, cannot be sustained indefinitely. As to whether tourism-based SMMEs are supported in such a way as to be sustainable is difficult to judge, largely for lack of data, but indications are that DEAT's support via the Poverty Relief Programme is not optimal to promote sustainable SMMEs, not least because it lacks sufficient attention to capacity building.	<ul style="list-style-type: none"> <li>DEAT's ITMAS programme was suspended after four years for failure to promote transformation and to create capacity.</li> </ul>
Small business promotion	<i>Uncertain</i> Viability of Khula was called into question when a number of RFIs collapsed in 1999/2000, causing Khula to lose a large	<ul style="list-style-type: none"> <li>Government policy on small business promotion appears to be at a crossroads, with reports that DTI is in the process of revising its overall approach.</li> </ul>

Programme area	Assessment	Comments
	share of its capital and revealing weaknesses in its own safeguards. However, Khula has apparently made much progress in introducing controls and engaging RFI partners (Monkman, 2003). Small businesses are generally risky ventures and sustainability cannot be ensured. The general lack of micro-insurance products offered by RFIs (other than credit-life cover) is a limitation.	
Agricultural extension	<i>Uncertain</i> Extension services in some provinces remain untenably bloated but have resisted adjustment year after year. (Eastern Cape and Limpopo have 679 and 1107 extension personnel, respectively.)	<ul style="list-style-type: none"> <li>Proposals for overhauling the government's approach to extension have been mooted, e.g. privatisation, but way forward is not yet clear and significant transformation will likely meet strong resistance.</li> </ul>

Programme sustainability is generally not a problem, except in those cases where government is already in the process of reviewing sector strategies (e.g. small business promotion, agricultural extension). The fact that such reviews are occurring, and that DEAT closed its ITMAS programme, are a healthy sign that government departments are sensitive to the need to terminate or overhaul unsatisfactory programmes.

The question of the durability of interventions raises two familiar issues, namely the difficulty of sustaining service provision in the face of widespread non-payment, and the intrinsic riskiness of business ventures which government supports, but can not and should not support at all costs. The only indication of a threat to durability that is possibly a reflection that government is doing something wrong, is the support to income-generating projects of which many have less chance of surviving than true SMMEs. However, neither the theme papers, case studies, or secondary literature, offered enough information on this topic to justify a robust conclusion.

#### 4.5 Interactions and externalities

As with the previous sub-section, the comments ventured below on programme interactions and externalities are based less on the theme papers and case studies, than on inference and secondary information. However, the extent of inter-programme interactions, as well as that of programme externalities, is vitally important, because whether a programme should be retained, transformed, or scaled up or down, must hinge to some degree on the contribution it makes to government's overall effort to reduce poverty and improve the quality of life. By "externalities," we mean impact – whether positive or negative – that reach beyond the programme's specific aims or beneficiaries.

Table 8 – Interactions and externalities of programmes

Programme area	Assessment	Comments
Social assistance grants	<i>Unknown; possibly large and positive</i> It remains unresolved whether grants lead to the creation of 'dependency,' or rather whether they serve as a platform for creation of sustainable livelihoods. Social grants likely constitute a large fraction of disposable income in poor communities, and thus are a lynchpin to the local economy and in particular the SMMEs located in those communities.	<ul style="list-style-type: none"> <li>DSD has undertaken to conduct a large survey to determine, <i>inter alia</i>, the impact of its social assistance grants. The themes raised to the left will hopefully be explored.</li> </ul>
Poverty Relief	<i>Small or modest</i>	<ul style="list-style-type: none"> <li>However, one possible</li> </ul>

Programme area	Assessment	Comments
Programme	The small scale (see 4.2) of the Poverty Relief Programme necessarily limits interactions and externalities.	complementarity at the margin is that poverty relief projects can in principle be targeted to assist those who are not assisted by the social assistance safety net, or for whom this is not enough to avert crisis. Whether or not this happens is not clear from the theme papers and case studies, however the introduction of food parcels into the poverty relief programme in the OR Tambo Municipality suggests some flexibility to attend to local crises.
Public works	<i>Unknown; possible positive and negative aspects</i> Comments above regarding small scale also apply. However, at the margin, the infrastructure created and some possible skills transferred are likely to enhance quality of life and contribute to the SMME sector. On the other hand, there is some evidence in the secondary literature (e.g. EDA Trust, 1999) that short-term public works employment can be disruptive to indigenous enterprise.	<ul style="list-style-type: none"> <li>▪ The EDA Trust study of Working for Water projects in the Eastern Cape showed that those employed under the programme tended to enjoy better diets, were able to complete small building projects on their homes, and sometimes get out of debt. On the other hand, some beneficiaries were inspired by the fact of having a wage, albeit very temporary, to take on new debt and even abandon existing SMMEs. The longer-term effects on beneficiaries were not studied.</li> <li>▪ As with the Poverty Relief Programme, public works programmes may be valuable in being able to support types of people that are not eligible for social assistance grants. For this to be a true complementarity would require the scale of the public works programmes to be expanded significantly.</li> </ul>
Infrastructure and services	<i>Generally very positive, sometimes negative</i> Improved access to infrastructure and services enhances quality of life, assists economic growth by lowering transactions costs, and in some instances lowers households' cash or time costs of accessing fuel and water. This complements the poverty-reducing impact of social grants as well as small business development, tourism promotion, etc. However, in some instances cost recovery for services aggravates poverty and saps benefits derived from social grants (e.g. McDonald and Pape, 2002).	<ul style="list-style-type: none"> <li>▪ There are some initial indications that the new airport in Nelspruit is contributing to an increase in tourism to the lowveld area (see Mbombela case study), but whether this is a net increase in tourism or a redistribution of tourism within RSA is not clear.</li> </ul>
Human resource development (ABET and skills training)	<i>Unknown</i> The efficacy of ABET and skills training to enhance employability or people's capacity to start SMMEs is generally unknown. Some attempts to directly link HRD to broader economic initiatives (e.g. tourism training within the Wild Coast SDI) are not demonstrably successful.	<ul style="list-style-type: none"> <li>▪ The vastness of the unemployment problem suggests that efforts to enhance certain individuals' employability (as opposed to 'self-employability') will be of no additional benefit to society, in that it merely adds to the number of people competing over the same number of jobs. Providing training that can enhance people's chances of starting their own successful enterprises is probably different, but no information was available with which to evaluate this.</li> </ul>
Investment incentives	<i>Very limited</i>	<ul style="list-style-type: none"> <li>▪ The lack of discernible positive</li> </ul>

Programme area	Assessment	Comments
	The most significant point regarding the broader economic significance of investment incentive schemes currently in operation is that they fail to encourage labour-intensive investment or investment in areas where unemployment and poverty are particularly severe. The latter point may be an inevitability, in that one would not want to encourage investment in costly locations only to abandon them when the subsidy is withdrawn.	externalities for the investment incentive schemes underscores the generally unfavourable assessment of them in the theme paper.
SDIs	<i>Potentially very positive</i> The whole principle of SDIs is that they encourage mutually complementary investments and growth. However, the slow process of getting the SDIs underway means that thus far these complementary and catalytic effects are not observed, except to some extent with some housing projects (Maputo Corridor SDI) and through procurement policies that favour the growth of black-owned enterprise.	
Tourism promotion	<i>Limited</i> The most obvious area of complementarity is in terms of SDIs, but thus far the degree of related tourism investment has been either disappointing (Wild Coast SDI), or relates more to the SDI-related infrastructure improvements than to direct tourism promotion per se (Maputo Dev't Corridor SDI and Fish River SDI).	<ul style="list-style-type: none"> <li>Although tourism was originally meant to be one of the main emphases of the Fish River SDI, it appears to have been eclipsed by the focus on the ELIDZ and the Coega Harbour Project.</li> </ul>
Small business promotion	<i>Unclear</i> In principle small business promotion is an integral part of any poverty reduction strategy. It is consistent with the ethos of developmental welfare, in concrete terms meaning that if it is successful at scale it can reduce the size of the social assistance grant system, and make more palatable the fact that the system does not benefit certain categories of poor people, e.g. unemployed young and middle-aged men. However, government's efforts to promote small business is responsible for only a tiny fraction of the SMMEs that have come into being in the past 10 years, most of which are 'survivalist' and are not lucrative enough to reduce the need for social grants.	
Agricultural extension	<i>Potentially very positive</i> Agricultural extension potentially plays an important complementary by promoting household-level food security and income generation, both of which are vital to complement the social grant safety net.	<ul style="list-style-type: none"> <li>There is growing evidence of land under-utilisation in former homeland areas, even among land holders who are food insecure. (See e.g. de Swardt, 2003, for situation in Mount Frere.) Poor extension is not likely the main constraint, nor will better extension necessarily reverse the pattern. Decreased income from employment appears to be one of the main factors (not the only one), suggesting that social grants play an ever more complementary role to agriculture in a</li> </ul>



Programme area	Assessment	Comments
		different sense, i.e. by helping some households afford inputs they need to make use of their gardens and fields.

There is a vast number of actual and potential interactions between the programmes discussed in this report, and between them and the broader effort to reduce poverty. Our understanding of these interactions remains poor, and should be considered a priority for future research. On the whole, however, the interactions that were detected or inferred are positive ones, suggesting that the whole is greater than the sum of the parts. Among all of these interactions, the social assistance grant system and infrastructure investment emerge as important common denominators. For the social grant system, this is partly in the sense that growth and poverty reduction through other means will hopefully some day reduce the burden of the social grant system in sustaining people. However, together with infrastructure development, the social grant system appears to serve a vital function in forming a basis for the growth in the economy of poorer areas.

#### 4.6 Conclusion

Of the five aspects of impact examined, arguably the one that most distinguishes some programme areas from others is that of scale. In light of the magnitude of the problems of poverty and unemployment faced by South Africans, a number of interventions are presently little more than symbolic. Arguably the main virtue of them having been initiated was that there has been much learning-by-doing, and those that are worthy of being scaling up can generally be distinguished from those that should rather be shut down. This can largely be determined by considering the recipient-level impact, which for public works initiatives is generally very good, but for income-generating projects appears to be generally poor.

Apart from considerations of appropriate scale, the analysis points to some areas where re-design may be in order. The most obvious instances are where targeting is poor, i.e. a disproportionate share of the benefits are captured by those other than for whom the intervention is mainly intended; or there is no explicit targeting at all. This was shown to be the case for some of the interventions in the tourism and small business promotion programme areas.

A consideration of interactions and externalities leads to the tentative conclusion that some objectives are less well served by the programmes that were created to achieve them than through the secondary effects of altogether different programmes. Whether this means there is a redundancy or a complementarity is difficult to say, but it does appear that, by virtue of lowering transactions costs, increasing disposable income, and creating opportunities through procurement, infrastructure investments and the social assistance grant system are more central to the emergence of SMMEs than the interventions whose main objective is to support SMMEs.

## **5 UNDERLYING DETERMINANTS**

This section seeks to extract some of the main determinants of success and failure of government programmes to reduce poverty, drawing particularly on the case studies and, to a lesser extent, the theme papers and secondary sources.

### **5.1 Newness and capacity**

Although it is nearly 10 years since the first post-apartheid government came to power, and although some of the initiatives covered in this report were started early on during the new dispensation, a number of them are still new and/or are still gathering momentum. The SDIs for example are at very different stages of implementation, with some of them only breaking ground in the past two years or so despite having been conceptualised some years earlier. Similarly, the Alexandra Renewal Programme was conceived in 2000 and began only in April 2001, while the setting up of the whole sector-based SETA system was only launched in March 2000. One would not expect to see much impact for those initiatives that are at such a formative stage.

A related issue is the time it has taken to build up administrative and implementation capacity, especially at local government level. The fact that many programmes depend largely or entirely on local government capacity may be a good thing for the medium and long-term, and the value of the IDP process has been demonstrable. However, in the short-term many local government entities have not had the capacity to handle their responsibilities, and the commendable progress made in increasing their capacity was in part interrupted by the redefinition of municipal boundaries. The main forms taken by the development of delivery capacity are in the sense of developing systems and procedures, augmenting skills of staff, and improving intra-governmental communication and coordination. The case studies reveal that in many municipalities, officials are aware of the need to improve organisation and management, and there is evidence of positive changes along these lines. However, in poorer communities where unemployment is rife, a pattern has emerged whereby elected councillors come from the ranks of the unemployed, have little or no management or leadership experience, and see local government as the only accessible opportunity for their own social and economic advancement (see case study on Colesburg). On the positive side, they may be well placed to understand the needs and circumstances of the poorer members of the community, whose demographics they match. On the negative side, they tend to be estranged from the local business community, and lacking business acumen in their own right struggle to forge links with private-sector actors who might be able to advance delivery through partnerships. In addition, there is a haemorrhaging of seasoned municipal staff, many of whom are perceived as holdovers from the previous era, but who may have had important technical skills and valuable experience. Some municipal managers are keenly aware of this problem, and has taken deliberate measures to draw in skills of departed municipal staff, if only on a temporary basis and with an emphasis on capacity building (personal communication, Mayor D. Nkosi, Ekurhuleni, October 2003).

There is one key impediment to local-level delivery capacity that may prove especially durable and debilitating, which is the inadequate numbers of staff. This repeatedly emerged as an issue in the case studies, often taking the form of over-worked officials who are preoccupied with managing crises rather than engaged in methodical development work. The thinness of staff on the ground may also explain the perceptions of many community members and community leaders that they are not adequately consulted or engaged by local authorities. The inter-relatedness of development exacerbates the situation by creating delivery bottlenecks: for example, the inadequacy of officials dealing with land tenure in Mbombela and Inanda means that infrastructure and housing delivery are impeded.

It may be that the inadequacy of staff numbers is aggravated by the fact that some programmes are excessively staff-intensive relative to what they achieve, or divert staff from other, more vital functions. A possible case in point are some of the poverty relief enterprise projects for which government field officers effectively serve as managers, as illustrated in the Colesburg case study, whereby new LED Fund projects must be managed by the municipal officials of the Umsombomvu Municipality. Apart from the fact that municipal officials typically make poor managers of such projects, many of which aspire in theory to become commercial enterprises, this both limits the potential of LED, and places an unsustainable strain on the limited capacity of municipalities. This is supported by a study recently completed by McIntosh Xaba and Associates for the Department of Provincial and Local Government on LED projects in the Free State and Northern Cape (personal communication, D. Atkinson, July 2003.)

## **5.2 Management efficiency and differential manageability**

There is some evidence of a gradual improvement across the board of management capacity, whether at local government level or at provincial and national government level. However, it is probably also true that progress is uneven owing to the fact that some activities are more inherently difficult than others. Public works projects tend to be 'easier' than, say, promoting income-generating projects, and it is not surprising that under-spending in terms of the latter has been a greater problem. Although there is reason to worry that the impetus to accelerate delivery can compromise the quality of even well-structured public works interventions, for example in terms of the less observable benefits such as the quality of the training, the decline in the share of jobs created that are truly sustainable, and even the quality of the infrastructure itself (S&T, 2001), public works, like infrastructure projects generally, are manageable initiatives that produce tangible, durable benefits.

One reason to worry that management remains uneven is the starkly contrasting expenditure per beneficiary between provinces for the same programme. A case in point is the Community Based Public Works Programme, for which the expenditure per worker employed varies from R6 515 for the Eastern Cape to R27 242 in Limpopo (see theme paper on Public Works and Infrastructure). While some of these discrepancies no doubt owe to different emphases from place to place in terms of infrastructure provided and even in employment standards, the magnitude of the discrepancy likely owes as well to differences in overheads and operational efficiency. A similar discrepancy is evident in the amount spent on training, from a low of R101 per worker, again in the Eastern Cape, to R678 per worker in North West (see theme paper on Human Resource Development).

Income-generating projects, which are sometimes categorised as 'LED projects' or 'poverty relief projects,' are perhaps the most management-intensive endeavours relative to their utility. The appeal of these projects is that they represent a tangible attempt to make good on the commitment to 'developmental welfare'. However, the general impression of those conducting the case studies was that these projects are rarely sustainable. They tend to be 'welfare projects pretending to be businesses,' and as such are entirely dependent on ongoing financial support. Once this dries up, these projects collapse. The experience to date suggests that as a category of government activity they are largely a dead end. The most problematic element is perhaps that they frequently depend on the direct management support of local government officials, which is inimical to the general proposition that 'government should get out of production,' as evidenced by the closure of most of the agricultural parastatals in the former homelands.

Promoting small enterprise through the provision of business support (e.g. through business advice and credit promotion), restricts government to more manageable tasks, and also has the advantage of not creating enterprises that are inherently unsustainable. The downside of this form of support

is, firstly, that the benefits tend to be disproportionately captured by those who are relatively well off to begin with, and secondly, that this form of support is difficult to deliver at scale. The data show that over a million people now sustain themselves through small enterprises in the informal sector, and it is clear that only a tiny minority of these receive direct support through government or government-funded programmes. A much larger number of SMMEs access non-institutional credit than loans through Khula's RFIs, and some researchers suggest that this non-institutional credit is relatively efficient, omni-present, and tailored to the needs of small entrepreneurs (Roth, 2003). It is amazing how often the targeted attempts to reach micro-enterprises simply miss the mark, as with the 'white elephant' projects in Inanda, where facilities created specifically to cater to micro-enterprises are left unused and have started to be vandalised. Very likely the most efficacious government activities in support of micro-enterprise are the ones that, indirectly, create a better environment for them, e.g. by reducing crime and by improving general infrastructure. The one exception that comes up repeatedly in the case studies is that of preferential procurement policies, by which local entrepreneurs can tender to perform services for the municipality. These policies seem to function well: the services must be performed anyway, so it does not represent an additional burden to the municipality; and the entrepreneur performs a needed function, rather than one that is just imagined to be worthwhile. The only concern that has arisen in respect of procurement is that it is apt to be influenced by patronage considerations, but this would likely occur (or be perceived to occur) whether or not there existed an explicit policy of preferential or targeted procurement.

### **5.3 The importance of perceptions: dignity, visibility, consultation and participation**

The theme papers and case studies both reveal that much has been accomplished in terms of improving people's quality of life, especially in terms of infrastructure upgrades and improved access to services. However, the case studies also illustrate that people's perceptions of government performance in respect of these objectives, are somewhat unpredictable and possibly even fickle, for example with members of the same community having contrasting views on the same developments and processes.

Ultimately we do not have a good understanding of what governs people's perceptions of government initiatives, but impalpable factors such as expectations, local history, and whether the person is considering their personal welfare or that of the community at large, certainly play a large role. An important theme that emerges strongly from some of the case studies is that people expect government investments to contribute to the restoration of their dignity as people who have been disadvantaged by past discrimination. Sanitation projects that may be practicable and cost-effective, are apt to be condemned by local residents as demeaning if the standards are markedly inferior to those enjoyed by neighbouring communities. Similarly, poor housing standards, whether in terms of size or construction quality, are about more than the quality of the asset; they also signify government's commitment to treating recipients with due respect.

While it is a truism that government cannot cater to everyone's preferred idea of service and infrastructure standards – some respondents inevitably also complained about the fact that the number of litres of free water was not enough – and while government has shown responsiveness to people's complaints (at least two vivid examples emerge from the case studies, including water delivery standards in Mbombela, and housing standards and processes in Inanda), part of the problem certainly relates as well to inconsistent consultation between government and community members, particularly at the early stages of an initiative. Although complaints about lack of consultation are not always genuine, some government officials also acknowledged a failure to consult sufficiently, generally on account of lack of staff capacity. Case studies, such as those of Colesburg and Mbombela, also revealed a big discrepancy between how government officials

perceived their performance in terms of consultation, and how community leaders perceived that performance; this in itself suggests that consultation is often not adequate. Moreover, the often fierce competition for counsellor positions (especially following the reduction of the number of municipalities and thus seats) does appear to mean that local elected officials seek to ensure support through patronage, which further contributes to the perception among the non-beneficiaries that their voices are not heard.

All community respondents in the case studies were aware of at least one or two people in the community who were benefiting in some fashion from the government programmes listed above, most typically government grants. This awareness in itself did not in general contribute to a sense that government was doing well in addressing poverty or people's quality life, and many of these same respondents expressed general dissatisfaction with government's performance. Nonetheless, most respondents acknowledged, however grudgingly, some improvements in the community or area attributable to government. Most commonly cited were visible manifestations of government or related investment, such as improved roads, new houses, electrification, etc. The case studies record a subtle but important fact, that tangible, visible investments contribute to a mood of positive change, however bleak people's economic circumstances otherwise.

#### **5.4 Politicisation, social strife and crime**

The process of attempting to render government services was observed to create or aggravate politicisation and social strife in virtually all of the case studies. The fault-lines of this politicisation varied depending on the specific situation, and included tensions: among community members belonging to different political parties or of differential racial or ethnic backgrounds; between traditional leaders and local government authorities; between community members and local government authorities, e.g. mobilising around the issue of payment for services; and between local municipalities and district municipalities.

The practical manifestations of these different forms of discord are also various, and at the extreme include intra-community violence and vandalism (e.g. in Inanda, between factions competing for political control); to various forms of resistance and threats (e.g. in Mbombela, among traditional leaders unhappy with proposed tenure upgrades); to racially or ethnically charged allegations and general community disruption (e.g. in Colesburg, in respect of allegations about favouritism in allocation of housing and services); to alleged denial of resources from district-level local government to local-level local government (e.g. OR Tambo District Municipality).

The relationship to delivery of government objectives is three-fold: first, the political tensions themselves diminish people's quality of life; second, the politicisation interferes with government's efforts to deliver; and third, it appears that at least some of the political tensions decline as delivery proceeds, as perceptions of bias and favouritism are reduced.

In addition, crime itself, even in the absence of any political dimension, hinders development in a number of ways, not least by creating an environment hostile to poverty alleviation projects, e.g. through theft of assets or earnings. Petty criminal acts such as making illegal connections to the grid and cable theft, not only deny service providers with the revenue with which to provide those services, but also very likely contribute to the increased frequency of power outages of which some respondents complained.

The problem of politicisation appears to be most acute in poor, densely populated urban areas, perhaps owing to the exceptionally difficult living conditions there, the characteristically high rates of violence and crime there anyway, and the high degree of mobility (i.e. large numbers of

transitory residents). This underlines the logic of the Urban Renewal Strategy, in which crime reduction forms one aspect of a multi-dimensional development strategy. This may not address the politicisation itself, but it does at least address one of the symptoms, albeit with variable degrees of success. As for coping with the politicisation itself, that goes beyond the ambit of this report, but it bears mentioning that, at least in the case of the Alexandra Renewal Programme, there is a keen awareness among the managers of the need to anticipate political contestation and, where possible, to attempt to manage it appropriately.

## **5.5 The importance of formalising settlement**

Investing in infrastructure and service improvements in communities where ownership is clearly defined is relatively straightforward. Two of the case studies highlighted situations however where development was hindered because the land tenure situation was not so conducive. In Inanda, informal settlements have been established on private land belonging to Indian and African farmers, most of whom have fled or have effectively been displaced. Some of the original owners have lodged claims in order to get compensation for their lost land (though whether these are formal restitution claims is unclear). In any event, government-financed developments on the land cannot in principle take place until the underlying ownership issues have been resolved, which implies either removing illegal occupiers and restoring the land to its owners, or buying out the owners and then formalising the settlement. Neither of these options is easy, and both involve considerable intra-governmental coordination as well as political will.

The land-related problems in Mbombela concern the fact that the municipality subsumes a portion of former KaNgwane. Of this, the land administration of the parts that are proclaimed townships is governed by Proclamation R293 of 1962, and the rest by Proclamation R188 of 1969. Each type of area has its own particular difficulties. In the R293 towns, the main problem is that the land administration did not generally keep pace with the settlement as it occurred on the ground, so although on paper property rights are defined and delineated, in actuality the situation is far more complex. Development cannot proceed without extensive negotiations and, potentially, resettlement. For the R188 towns, the situation is arguably worse, in that property rights are not formally designated at all, and beyond this traditional authorities express resistance to any change or development which would appear to undermine their traditional responsibilities in respect of land allocation.

Although the Department of Land Affairs has generally made huge strides in creating the framework for land reform, tenure reform and in particular the rationalisation of the fragmented land administration policies has been a long and arduous process. This is aggravated on the ground by the fact that there are not enough DLA staff to assist in processes such as those required to facilitate development in R188 and R293 towns. The processes are indeed exceptionally demanding, requiring both technical skills and an ability to manage sensitive social processes. It represents an area where the legacy of apartheid has stymied development more than is generally recognised. It may also suggest an argument for directing more resources to the resolution of urban and peri-urban land issues, as this is not only important as a tenure issue, but also as a broader development issue. The whole budget for 2002/03 for the Department of Land Affairs' provincial offices was a mere R75 million, which covers not only work on tenure reform but also redistribution, labour tenants, and other responsibilities as well (National Treasury, 2002).

## 5.6 Lack of information

The theme papers under Paper 6.7 upon which this synthesis is partially based, were meant to be based mainly on administrative data, meaning data that are produced by government departments and their partners in the design and execution of the initiatives themselves. In principle, these data reside within – and when desired can be retrieved from – each department's management information system. However, with the exception of the theme paper on social assistance grants, the authors struggled to locate or extract the breadth and quality of administrative data that would have allowed confident and complete reviews. The reasons vary. Sometimes, it appears simply that the information contained in departments' management information system is closely guarded. Other times, the system is itself weak and lacking information that by all rights it should have. And sometimes the initiative by its nature involves a diffuse system of implementation, as with on-the-job vocational training provided for through the skills levy.

To make matters worse, monitoring and evaluation systems tend to be very new and not fully functional, or do not exist at all. A 2000 study for DPLG of monitoring and evaluation systems of national and provincial government departments found that, "The majority of respondents reported that monitoring was either not going very well or that it was acceptable in places. Less than a third of respondents reported that they were happy with their monitoring system" (McIntosh Xaba and Associates *et al.*, 2000). The recently completed evaluation of the Poverty Relief Programme was the first significant overall evaluation of the Programme since it became operational in 1997/98; unfortunately, Treasury has declined to put it into the public domain. The Department of Social Development is now preparing its first wide-scale, survey-based impact study of the system of social assistance grants. There is a paucity of information, and much of what exists is difficult to access.

The case studies also elicited numerous examples of information that could not be obtained. Again, this was due to a variety of reasons, not least the short timeframe during which the case studies were conducted, as well as what appeared to be resistance among some officials to share reports or even make themselves available for interviews (see e.g. Colesburg, Mbombela, Inanda, etc.).

As researchers, the authors of the papers have responded to the dearth of information in two ways: first, by drawing on secondary data, reports, evaluations, and even anecdotal evidence; and second, by leaving gaps. In terms of the latter, a case in point is that related to enterprise training, for which few figures are available. The main concern of course is not that the authors of the papers did not have access to these, but that in many cases this may suggest that the relevant policy makers and stakeholders do not have it either. The irony is that there is reason to believe that the absence of administrative data generally has the effect of leading to an under-appreciation of government's accomplishments. If we do not have centralised data on the number of people employed through the School Infrastructure Programme, then we cannot include these jobs in our overall figures, or if we do we are merely guessing.

## 6 CONCLUSIONS AND RECOMMENDATIONS

### 6.1 Overall assessment in light of shifting goalposts

In assessing the performance of government programmes in meeting their poverty reduction objectives, it must be acknowledged that the targets these programmes are trying to meet are shifting. One example of this is the steep rise in the number of households over time: between 1996 and 2001, according to the censuses, there has been a 24% increase in the number of households nationally. The household is frequently the natural unit of delivery, especially for infrastructure and services such as housing, water, sewerage, and electricity. The 24% increase in the number of households translates to an average annual increase in the number of households of about 430 000. If all that had been achieved was keeping pace with this staggering rate of increase, then the achievement would have been immense indeed; but given backlogs that were inherited in 1994, even that might not be perceived to be enough.

A second, related example of shifting goalposts is the continued displacement of farm-dwellers. Unfortunately, the detailed data from the 2001 census are not yet available to allow a quantification of this trend, but the decline in the number of farmworker jobs in Table 1 – and beyond this especially the 30% decline in the number of regular farmworkers between 1988 and 2002 – gives some indication of the process. The Crossroads and Colesburg case studies confirm that, over time, the composition of whole communities has undergone dramatic change with the influx of former farm-dwellers, most of whom lost their farm employment at the same time they lost their place of residence. The implications for receiving settlement areas are significant: more pressure on existing infrastructure, rapid additions to the housing queue, and greater competition for scarce income earning opportunities. Of course, this is but one example of the larger problem of internal migration, much of which is rural-to-urban. Notably, between 1996 and 2001 the urban population increased as a proportion of an increased population.

The third example is perhaps the most obvious one, namely the increase in unemployment, however defined, and in particular of the decline in the number of jobs in the low-end of the formal sector. The poverty-inducing consequences of unemployment are well known, and in the event the direct job creation through public works and other programmes barely registers.

The point of these examples is to suggest that in qualifying the government's achievements or lack thereof, one must be mindful of the fact that the challenges it has been facing have in many respects grown more daunting in the period since 1994. The difficulty of relating specific programme activities to social indicators, with qualified example of the composite infrastructure index (see Section 2.2) and of the expenditure-output analysis for selected services (see Section 2.3), is partly of function of this subtle but critical distinction. The correct question is not always whether government has made things better, but whether it has prevented things from being worse than they would have been otherwise. This question is even more difficult to answer than the first, which itself is enormously complex.

Based on the present exercise, the overall answer would appear to be as follows:

- Government programme's have led to absolute improvements in people's quality of life in a number of areas, most particularly through investments in infrastructure and improved service access;
- These improvements are not as widely shared as they might be, owing to an increase in the number of households that need them, and to remaining weaknesses in government's administrative capacity;



- Government programmes have prevented people's quality of life from deteriorating more than they would have in the absence of its activities, especially in terms of the social assistance grants;
- There remains significant room for improvement, within the existing budget envelope, by rationalising and balancing government initiatives; some activities should most likely be dropped, others scaled up, and some merely refined.

## 6.2 Specific observations and tentative recommendations

The detailed work undertaken in the course of exercises 6.2 and 6.7 leads to a number of specific observations and recommendations as well, but it must be stressed that the recommendations in particular are *tentative*. This is so by virtue of the fact that none of the government programmes covered was evaluated with the rigour necessary to arrive at robust conclusions. Therefore the points that follow are meant as guides for further reflection and discussion, rather than suggestions that should be adopted uncritically.

- Among government programmes that should be considered for elimination are the *direct* involvement in financing and managing of income-generating projects and closely-related endeavours such as some LED projects. These projects are generally unsustainable, absorb excessive attention from government staff, and contradict the appropriate shift in government ethos away from direct participation in production and towards a more facilitative role. In respect of this latter, this is not to suggest that indirect support to SMMEs should be removed.
- Investment incentives should probably be dropped altogether, or scaled up and comprehensively restructured so as to be much more strategically focussed on job creation.
- Competitive but preferential procurement policies show much promise in supporting the emergence of black-owned businesses, and should comprise part and parcel of every government entity that needs to outsource functions.
- Public works programmes should probably be either dramatically scaled-up, or dropped altogether, preferably the former. There is little rationale for maintaining them at their present size, which is not significant relative to the burden of unemployment. Cost-efficiency could very likely be improved with greater scale, and public works projects have the significant advantage of reaching categories of marginal people who are not eligible for social grants, e.g. young and middle-aged men.
- The emphasis should be maintained on infrastructure projects that result in visible improvements to the physical environment in which people live. Where necessary, more attention should be devoted beforehand to consultation around proposed infrastructure investments, and after the fact to raise people's awareness of what has been accomplished.
- Attention to maintenance of infrastructure must be continued if not improved.
- There is a need to address bottlenecks that impede infrastructure development, most notably through augmenting resources available to the Department of Land Affairs to undertake tenure regularisation in urban and peri-urban areas.

- Human resource development activities should be scaled up, but it must be recognised that the impact of these investments is difficult to observe and is not generally relevant in the short-term.
- Agricultural extension services must be dramatically restructured so as to take stock of the scale of their clientele.

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