OVERCOMING UNDERDEVELOPMENT IN SOUTH AFRICA’S SECOND ECONOMY

DEVELOPMENT REPORT 2005

Presentation to the Public Service Research Colloquium
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Overview of the presentation

• Overview of the Development Report 2005
• Personal reflections on the relationship between government departments and external researchers

- **Part I:** Historical development of the ‘second economy’ and underdevelopment
- **Part II:** Why is underdevelopment persisting?
- **Part III:** Four examples
- **Part IV:** Continental, regional and domestic statistics
Context: the three pillars of government’s anti-poverty drive (Mbeki, 2003)

1. Strengthen the first economy
2. ‘Meet the challenges of the second economy’
3. Provide and refine the social security net
What is the ‘second economy’?

- Characterised as “...a mainly informal, marginalised, unskilled economy, populated by those who are unemployed and those unemployable in the formal sector.” (Ten Year Review, 2003)
- Also, unable to benefit from growth in the first economy, and difficult to assist
- Related concepts -
  - ‘Dualism’
  - ‘Underdevelopment’
Who is ‘in’ the second economy?

- Informal sector workers
- Subsistence farmers
- The working poor
- Officially and unofficially (discouraged) unemployed
Why the second pillar?

• Because regardless of macroeconomic policy, job creation in the first economy will not solve poverty in the short and even medium term

• And because the social safety net also has limitations
  – already a strain on the government budget
  – provides only partial assistance to certain categories of people
What are ‘second economy interventions’?

- Expanded Public Works Programme (EPWP)
- Land Redistribution for Agricultural Development
- Small enterprise support
- Poverty alleviation projects
- Integrated Sustainable Rural Development Programme and Urban Renewal Programme
- Comprehensive Agricultural Support Programme
- MAFISA (new rural loan scheme)
- ‘Local Economic Development’
- Etc.
Two examples

• Expanded Public Works Programme
• Agriculture sector interventions
1) Expanded Public Works Programme

- Background - WfW, CBPWP, LandCare… (PAF)
- ‘Putting the Nation to Work’? (200 000 short-term job opps per year, versus unemployment of +/- 8 mn)
- Gap between reality of the EPWP (as correctly articulated by its managers) and political rhetoric?
- What are the limits to scaling it up?
Research issues?

- How much does the design of the EPWP reflect research findings in re early public works initiatives?
  - Short-term nature appropriate for chronic nature of SA unemployment?
- Was sufficient research conducted?
- Were the results of that which was conducted really taken into account?
2) Agriculture sector interventions

- Overall vision: ‘a united and prosperous agricultural sector’
- Numerous laudable initiatives, but…
- Acknowledgement of size and diversity of sector?
- Understanding of what impedes agric production in the former homelands? (cf MAFISA)
- Appropriateness of resource allocation?
- The enigma of land reform
Research issues?

- Where is the research informing the design/choices of MAFISA? Will MAFISA correct for the massive under-utilisation of land in former homeland areas?
- Where is the research informing the current approach to land redistribution? (see next slide)
- The major obstacle to land reform is …. And the evidence?
## What people want land for

*Source: HSRC 2005*

<table>
<thead>
<tr>
<th>Objective</th>
<th>Farm dwellers</th>
<th>Communal</th>
<th>Urban formal</th>
<th>Urban informal</th>
</tr>
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<tbody>
<tr>
<td>To grow food</td>
<td>58%</td>
<td>69%</td>
<td>51%</td>
<td>54%</td>
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<tr>
<td>To generate income</td>
<td>16%</td>
<td>12%</td>
<td>14%</td>
<td>13%</td>
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<tr>
<td>To have a secure place to stay</td>
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<td>12%</td>
<td>32%</td>
<td>32%</td>
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<tr>
<td>To use as collateral</td>
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<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>To get back what was taken</td>
<td>1%</td>
<td>4%</td>
<td>1%</td>
<td>0%</td>
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<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>
What do the case studies reveal?

• Need to disaggregate and quantify

• Need to understand the real constraints/problems

• Need to learn lessons from the past
Personal reflections on the relationship between government departments and external researchers

1 The researcher from the perspective of government

- ‘You’re so academic!’
- ‘Stop taking pot-shots at us (or we won’t commission you again)’
- ‘You take too long!’
2 Gov’t from the perspective of the researcher

- ‘The tender document is due in 15 and a half minutes’
- ‘The final research report must be submitted within 4 months’ (but the tender won’t be adjudicated for 9)
- ‘Hey, what’s that on your shelf?’
3 KEY POINTS RE THE RELATIONSHIP BETWEEN GOV’T AND RESEARCHERS

• Gov’t departments absolutely need internal research capacity, not least to benefit from the services of external research providers
  – Formulating ToR
  – Quality assurance

• The tender process is a key weakness

• ‘Political imperatives’ sometimes pre-empt the need for careful analysis

• Central problem: WE ARE ALL OVER-COMMITTED