

South African distribution policies

**Preconditions for welfare:
strings between economy,
politics and redistribution**

**Experiences and perspectives of
government development plans**

RDP's basic principles

- **An integrated and sustainable programme**
- **A people-driven process**
- **Peace and security for all**
- **Nation-building**
- **Link reconstruction and development**
- **Democratisation of South Africa**

RDP's key programmes

- Meeting Basic Needs
- Developing Our Human Resources
- Building the Economy
- Democratising the State and Society
- Implementing the RDP

Lead projects of RDP I

- **Primary school nutrition scheme**
- **Rural water provision**
- **Land reform pilots**
- **Land restitution**
- **Small-scale farmer development**
- **Urban reconstruction and housing**

Lead projects of RDP II

- National adult basic education
- Public works programme
- Urban renewal
- Extension of municipal services
free health care
- Aids awareness and prevention

Basic targets for GEAR

- **Competitive fast-growing economy which creates sufficient jobs**
- **Redistribution of income and opportunities in favour of the poor**
- **A society in which sound health, education and other services are available to all**
- **An environment in which homes are secure and places of work are productive**

Macro Economic Strategy (MES) I

- **Growth through exports and investments**
- **Redistribution through jobs and the budget**
- **Sharpened focus on budget reform**
- **Faster reduction in the fiscal deficit**
- **Public Service Restructuring**
- **Low and stable inflation rate**

Macro Economic Strategy (MES) II



- Gradual relaxation of exchange controls
- Removal of trade barriers
- Encourage new investments
- Public investment in infrastructure
- Sale of government assets
- Flexibility and training in the labour market

Critique of GEAR model I

- **Redistribution is a secondary outcome of growth and employment generation through trickle down effects**
- **Assumes that everybody has equal access to the market**
- **Recognition of existing ownership, debt, and production structures**
- **Looks at deficit reduction as primary**

Critique of GEAR model II

- **Seeks to reduce taxes rather than increase government intervention possibilities**
- **Financial and exchange control liberalisation assumed to create private sector investment**
- **Makes South Africa more vulnerable to foreign capital flows**
- **Working class has to accept wage restraint and social contract**

Critique of GEAR model III

- Upper income earners continue to increase their income while poverty grows
- Export led growth strategy will benefit capital intensive and high skill industries
- Labour intensive industries workers are being retrenched and factories are closing
- Liberalising trade makes imports cheaper than domestically produced products

Results of economic transition

- Main economic indicators stabilised
- Decentralisation privatisation rentability
- Growth between 1,5 to 4,5 per cent
- Growing unemployment and social gaps
- Inflation under 6 p.c. Repo rate reduced
- Capital formation increased by 8,3 p.c.
- Export volumes sluggish most years
- Imports have grown strongly
- Capital inflows improved foreign reserves
- Income taxes cut by R4 billion

Budget highlights I

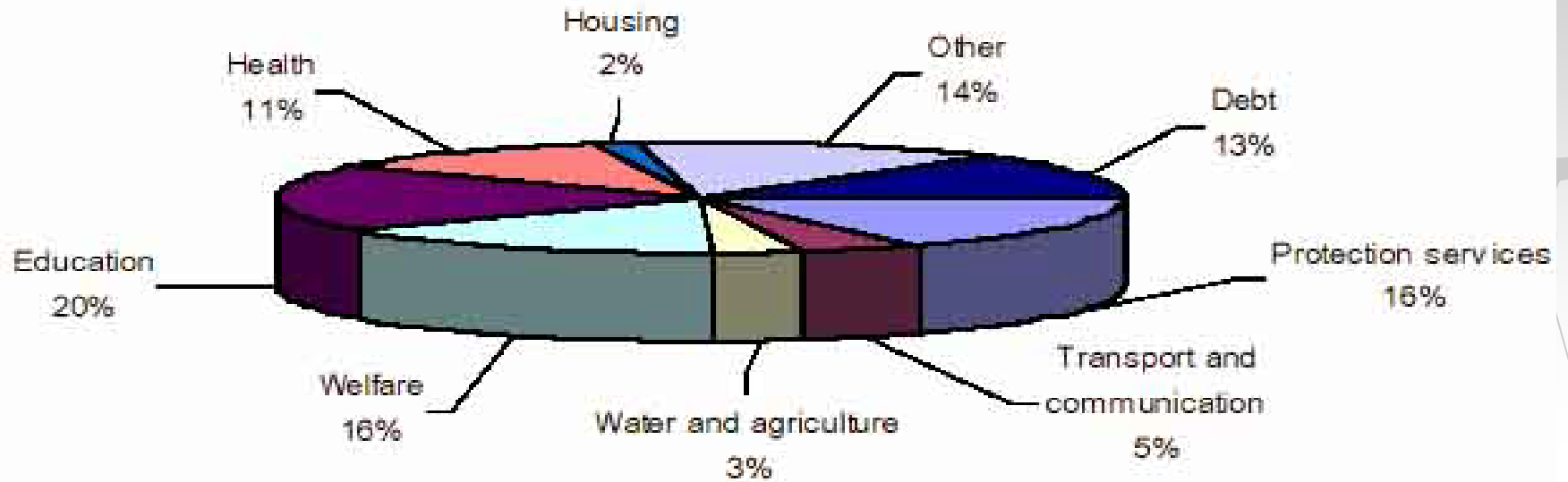
- Adds R3,2 billion to provinces and municipalities for Expanded Public Works Programme infrastructure development
- R2,1 billion more for the HIV and Aids treatment programme
- R6 billion for Black Economic Empowerment Initiatives
- R2,2 billion more for municipal water, sanitation, electricity and refuse services

Budget highlights II



- Provinces get R19,7 billion for social grants, schools, hospitals
- R700 million more for land reform
- R750 million for farmer support
- R1,9 billion more for police and crime prevention
- R910 million more for the restructuring universities and technikons

Government Expenditure



National Budget

New development plan: ASGISA

- **Recognises the reality of two economies**
- **More social concern**
- **More infra-structure development**
- **Farming out of public services**
- **Black Economic Empowerment**
- **Support of small and middle businesses**
- **Eliminate 50% of poverty before 2014**

Preconditions for welfare

Strings between economy, politics and redistribution

A faint, light gray background image of a balance scale is visible. The scale is tilted, with the right pan being higher than the left pan. The central pillar and the horizontal beam are clearly visible, along with the strings and hooks of the pans. The overall image is semi-transparent, serving as a backdrop for the text.