

POVERTY AND DEVELOPMENT

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LINK TO AFRICA'DEVELOPMENT

- The ANC, the government and civil society are in agreement that South Africa's development and fate are indelibly linked to that of the continent.
- The ANC in its conferences has asked these questions.
- What policies do we need to pursue both on the continent and internationally to meet some of the MDGs?

Development Vision & Policy Framework

- The vision of SHD reflects the ethos and aspiration of the Freedom Charter and the RDP
- It envisions a development process that meets the needs of the current generation without compromising the ability of the future generations to meet theirs
- Its realisation requires a set of integrated economic policies that together ensure that a country's performance benefits the poor proportionally more than the non-poor

Outline of the presentation

- To briefly review the evolution of development theory from early 'modernisation' approach to 'sustainable human development' approach
- To highlight the contrast between the 'neo-liberal' and 'human development' paths for South Africa and why the pursuit of the former is unsuitable for the country
- To develop some of the details of a development strategy for South Africa

Evolution of Development Theory: From Big-push to SHD

- During 1970s, the lines of the debate began to blur, mainly because sections of the new left began to embrace the notion of mutual benefit once again (e.g., passing through a 'dependent development; semi-periphery). Noting their differences, both camps shared views that: (a) development would be characterised by industrialisation; (b) there exists a close and even automatic relation between the economic aspects of development and meeting basic needs and human welfare; and (c) development would be a permanent state.

Both groups were at loss to explain the complex development experiences of the 60s and 70s given empirical data showing persistence and even worsening of poverty.

Evolution of Development Theory: From Big-push to SHD (cont.)

- Consequently, during 1980s, new views on the goal of development emerged. Some began to advocate the attainment of basic human needs as a primary rather than secondary objective of development. This approach viewed development in terms of “what happens to *people* rather than to abstractions like nations.”

Also during this period, the relationship between development and the environment began to receive attention.

- During 1990s, substantial body of literature has emerged on different aspects of SHD. In addition, major international commitments have been made to the realisation of SHD goals (e.g., 1992 UN Conference on Environment and Development; 1995 WSSD, 2000 MDGs declaration).

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Sustainable human development gaps in South Africa

- High rates of income poverty, and income and wealth inequalities
- High levels of service deprivations, HIV/AIDS, and human vulnerabilities
- High rates of unemployment and underemployment
- Insufficient and anti-poor economic growth path
- A significant portion of the population live in environmentally unsafe conditions

Approaches to State and Private Sector Interventions

- The neo-liberal approach advocates free market with neo-liberal policies
- The SHD approach advocates market mechanism combined with an active developmental state approach with pro-poor policies

Free Market Approach with NL Policies

According to this approach:

- A 'free market' is best positioned to efficiently allocate resources and help growth.
- Advocates expansion of the 'free market' through a set of 'best practice' private sector friendly legal and policy reforms, mainly designed to increase profitability of investment
- Trickle down mechanism is expected to help channel benefits of private sector investment to the public. Thus, welfare is a by-product or an outcome of economic growth.

Tenets of a Free Market Policy Framework

Short term stabilisation measures:

- Fiscal policies aimed at reducing the public budget deficit;
- Monetary policies aimed at reducing the inflation rate or the money supply;
- Wage and price policy to control inflation in support of the above policies;
- Exchange rate policies to reduce the balance of payment deficits.

Adjustment Policies:

- Trade liberalisation to strive for freer trade
- Deregulation to make enterprises more profitable
- Privatisation of publicly owned enterprises to expand the scope for private sector ownership and accumulation

Why Are Free Market with NL Policies Unsuitable for a Developing Country?

- Eradicating poverty is neither a driving force nor a goal of the NL approach and its policy framework
- SAP have, in many countries, produced low rates of growth, environmental degradation, and increased unemployment rates, income and wealth inequalities, and poverty. These results have been linked to the dynamic outcomes of the overall framework and policies. This includes, for example,
 - setting monetary and fiscal objectives and targets that result in undercutting public services, reduce internal demand, aggravate unemployment, frustrate efforts to increase social and infrastructure investments, and SMME development;
 - using tariff reductions as de facto industrial policy. Accelerated import tariff reductions often results in a flood of imports that undermine domestic industrial and agricultural producers;
 - reducing labour protections and benefits by adopting labour market liberalisation measures

The SHD Approach

- It judges the utility of all aspects of the development path (growth, technology, macroeconomic policy, and so on) by the criterion of their contribution to sustainable human development
- It acknowledges and responds to the shortcomings (limits) of private market system to achieve SHD
- It advocates a pro-poor policy framework to achieve SHD

Dimensions of Governance





