

Evaluating the confluence of multiple crises and recovery strategies in South Africa

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Background & Context



- The Covid-19 pandemic has had significant impacts on the global economy and on the livelihoods of millions of people around the world.
- There is also a substantive body of literature which illustrates the unevenness of the global health and economic crisis both within and between countries (Bambra et al., 2021a; Casale and Posel, 2020; Ogando et al., 2022).
- Emerging market and developing economies in particular have been disproportionately impacted by the crisis.
- Further, vulnerability to the crisis has had significant race, class and gender elements.
- Persistent colonial legacies and the unequal inclusion of developing countries in the global development architecture, has placed significant constraints on emerging market and developing countries' abilities to respond to the crisis.

Cont.



- There are growing calls to reform the current international development framework to better include countries in the global South (Kozul-Wright, 2020; Leach et al., 2021).
- The understanding is that power asymmetries in the global development architecture have universalised the Euro-American macroeconomic policy agenda at the expense of the development needs of communities and economies in the global South.
- For example, there is evidence which suggests that macro-structural policies aimed at growth can have adverse distributional effects in developing countries (Fabrizio et al., 2017).
- The South African economy has not been spared from this paradox.
- Due to longstanding macroeconomic challenges and its subordinate position within the global development architecture, it has shared the worst impacts of the Covid-19 pandemic with many developing countries in the global South.

Aims



- Against this backdrop, this paper seeks to position experiences from the global South in international policy discussions about a post-Covid economic recovery.
- Based on a case study of the South African economy, this paper reflects on the confluence of multiple crises around the world and examines potential pathways for recovery in a developing country context.
- As such, the paper illustrates South Africa's economic trajectory since the fall of the Apartheid regime and examines the extent to which pre-existing macroeconomic challenges are likely to affect recovery from the ongoing global health and economic crisis.

Structure



1. Pre-pandemic macroeconomic landscape of the South African economy
2. Impacts and experiences of Covid-19 in South Africa
3. South African Economic Reconstruction and Recovery Plan
4. Key considerations for implementing the Third United Nations Decade for the Eradication of Poverty in South Africa

South Africa: pre-pandemic macroeconomic landscape



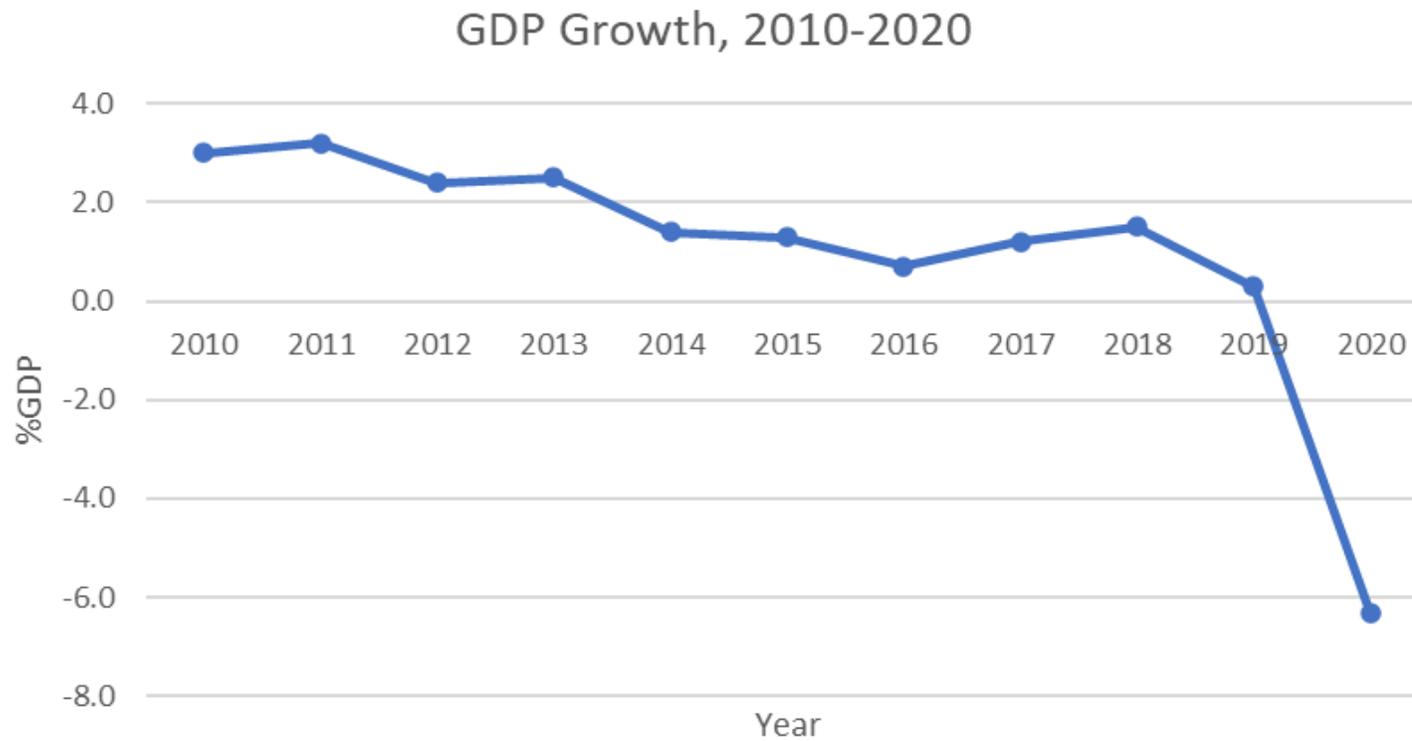
- Low growth,
- Rising gross government debt,
- Low investment,
- Rising unemployment,
- Rising precariousness,
- Chronic inequality
- Persistent legacy of racialised and gendered poverty
- Neoliberal macroeconomic framework

Impacts of Covid-19 on the SA economy



- Sharp contraction in GDP growth
- Increased debt
- Loss of jobs
- Rising precariousness

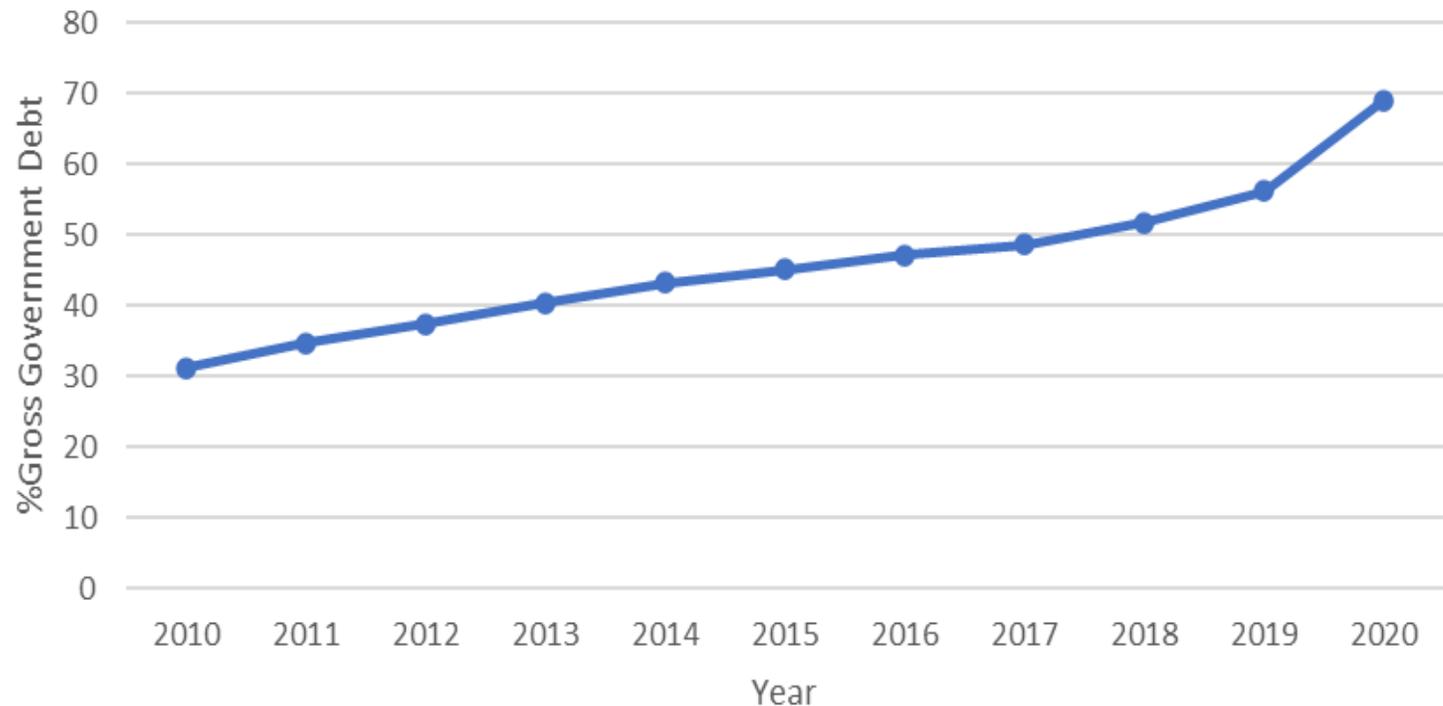
Impacts on GDP Growth



- South Africa's macroeconomic landscape has been characterised by low GDP growth throughout the post-Apartheid period.
- Covid-19 exacerbated this trend, with the country recording a GDP growth rate of -6.3 per cent at the end of 2020 (World Bank, 2023).
- South Africa's growth recovered to 4.9 per cent in 2021 (World Bank, 2023)
- However, it is expected to sharply decline to 0.1 per cent in 2023 due to the persistent energy crisis (IMF, 2023a).

Impacts on debt

Gross government debt, 2010-2020



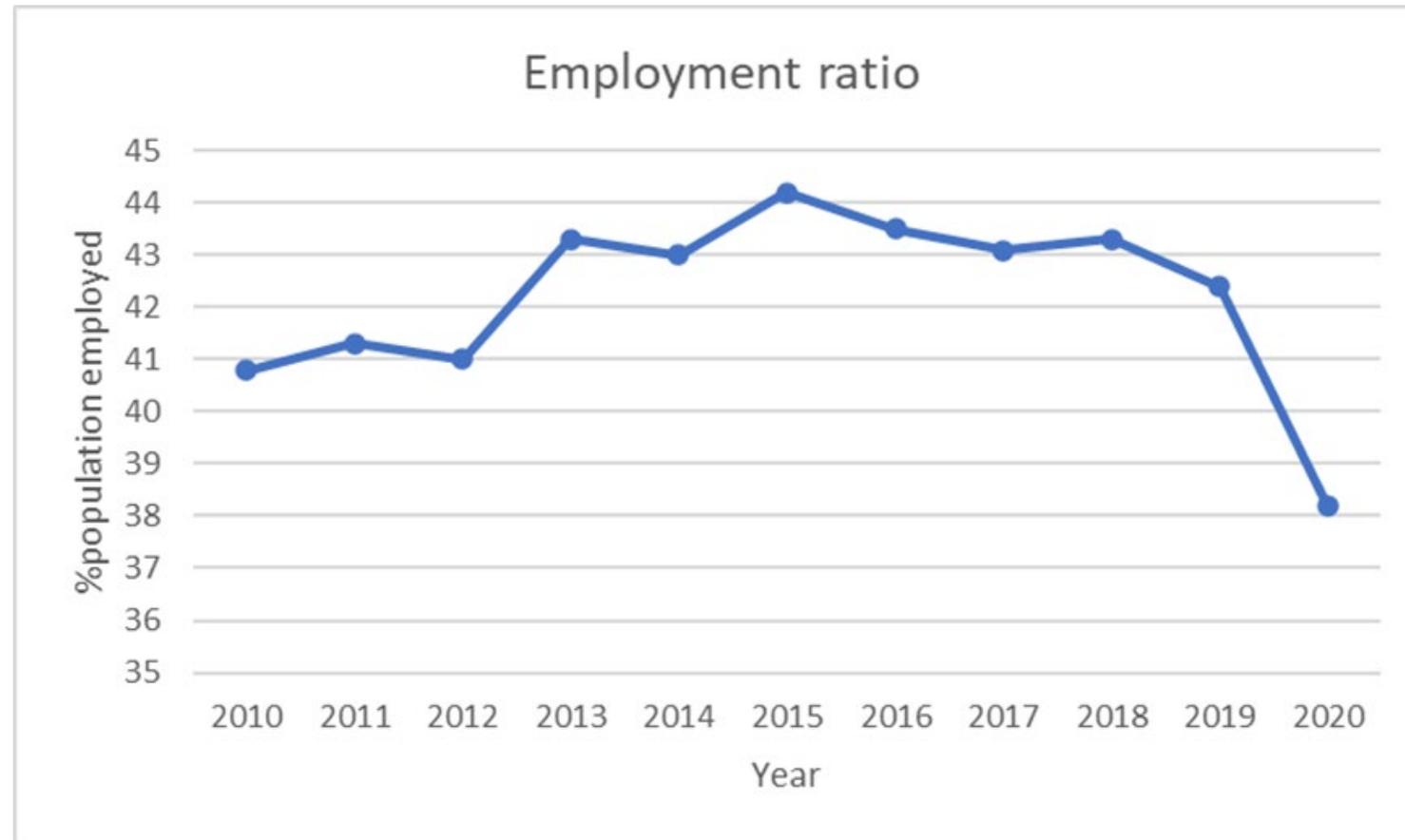
- The sharp economic contraction combined with significant investments in economic and public health support exacerbated the need for external financing during the crisis.
- In 2020, South Africa received a total 4.3 billion USD in emergency financial assistance under the IMF Rapid Financing Instrument to support efforts for addressing the impacts of the pandemic (IMF, 2023b).
- This resulted in a rise in the country's debt to GDP ratio with the pandemic raising gross government debt to 69 per cent of GDP at the end of 2020.

Welfare and livelihoods



- Data from Statistics South Africa indicates that the fight against poverty has been slowing down since 2015.
- Between 2011 and 2015, the poverty incidence increased from 53.2 per cent to 55.5 per cent of the population.
- Further, for the same period, there was an additional 2.8 million people living below the food poverty line of R441 per person per month (Statistics South Africa, 2017).
- Recent studies show that 30 per cent of the population is chronically poor and that race, household size and labour market insertion are key determinants of poverty status in the South African economy (Schotte et al., 2022).
- As such, Covid-19 and the related economic and labour market measures that were implemented by the national government, have deepened poverty vulnerabilities among the South African population.

Impacts on employment



- The employment-to-population ratio fell to 38.2 per cent in the fourth quarter of 2020, compared to 42.4 per cent in the same quarter of the previous year (Statistics South Africa, 2020).
- In the fourth quarter of 2020, Statistics South Africa (2020) reported a total of 1.4 million job losses arising from the crisis, with women and youth disproportionately impacted.
- The official unemployment rate also rose from 29.1 per cent in the fourth quarter of 2019 to 32.5 per cent at the end of 2020.

South African Economic Reconstruction and Development Plan

- A three-phase approach to contain the crisis; restore the economy; and build an inclusive, resilient and sustainable economy.
- According to the impact statement, for the plan to be considered successful, positive changes will have to occur in the following variables: competitiveness rating, GDP growth rate, investment, employment, inequality and poverty (South African Government, 2020b).
- Focus areas:
 - Aggressive infrastructure investment;
 - Employment orientated strategic localisation, reindustrialisation and export promotion;
 - Energy security
- Prioritises economic growth as the ultimate pathway to development
- Centres the significant role to be played by the private sector to boost employment, expand the economy and increase revenues.

Recovery cont.

- The goals outlined in the plan will be supported through the implementation of several structural reforms which include (South African Government, 2020a, 2020b):
 1. Modernising and reforming network industries and associated state-owned enterprises;
 2. Re-orienting trade policies and pursuing greater regional integration;
 3. Lowering barriers to entry for ease of business
 4. Supporting labour-intensive sectors;
 5. Creating greater levels of economic inclusion;
 6. Addressing the weak job-creating capacity of the economy;
 7. Boosting education and skills development;
 8. Promoting greater beneficiation of raw materials; and
 9. Addressing racial, gender and geographical inequalities which hamper deeper economic growth and development
- Proposes several fiscal and monetary policies to finance the recovery and ensure its sustainability.
- As outlined in the plan, recovery will primarily be supported through a concerted effort towards “sound fiscal prudence” and productive public expenditure (South African Government, 2020a).
- Reforms have also been proposed to strengthen the capacities of the state. Towards this end, government commits to: 1) strengthen partnerships with the private sector, 2) develop public sector skills, and 3) intensify efforts against corruption.

Criticisms



- It is assumed that growth will resolve the problems that have persisted since the start of the democratic establishment.
- Moreover, poverty, inequality and unemployment will all be approached by simply improving the quality of the supply of labour in the market.
- This neglects the reality of how the economy has been experienced by the majority of South Africans throughout the post-Apartheid period and the countless evidence which suggests that neoliberalism has failed to deliver its promises of economic prosperity and social health for all.
- As such, better targeted policies are required to end the ineffective policy cycle that has captured the South African economy for nearly three decades. Without a more progressive macroeconomic pathway there can be no hope for the South African economy or its people.

Key considerations



- In order to successfully implement the Third United Nations Decade for the Eradication of poverty, the national government will have to take seriously the problems of the South African economy and the impacts of globalisation and financialisation on the post-Apartheid project.
- While recognising the macroeconomic challenges that threaten the stability of the South African economy, government will have to rethink its measures of progress based on the unique needs of the South African economy.
- Significant structural reforms will have to be implemented to ensure that the millions of poor and unemployed people in the South African society are not forgotten.
- Amongst other things macroeconomic policies should be expanded to:
 - Include the legal and economic recognition of the large numbers of workers in informal and precarious work arrangements,
 - Increase access to social protections and social services for all,
 - And advance efforts towards gender equality and the better inclusion of women, youth and traditionally marginalised people in the economy
- Above all, a better understanding of the problems and the appropriate solutions will be required.

End

The background features a complex, abstract geometric design. It consists of several overlapping, semi-transparent shapes in various shades of green, blue, and white. The shapes are angular and layered, creating a sense of depth and movement. The overall aesthetic is modern and clean, typical of a corporate or professional presentation slide.