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A Planning Strategy to Improve Economic Development of South Africa: MDG1

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ABSTRACT

In 1987, the World Commission on Environment and Development published a Brundtland Report entitled 'Our Common Future' Their defined sustainable development as 'development that meets the needs of the present generation without compromising the ability for future generation to meet their needs. (HSRC2000).

Development planning at international level has focus on the Millennium Development Goals, which are called Sustainable Development Goals, there are 17 Sustainable development goals,

In this paper we will focus goal number 1. Which is eradicate extreme hunger and poverty in South Africa?

Keywords: *Sustainability, MDG, South Africa.*

INTRODUCTION

The Millennium Development Goals focuses mostly on addressing extreme poverty, hunger, gender equality, education and so on. They mark a historic and effective global mobilization effort to achieve a set of common societal priorities, by packaging these priorities into an easy to understand set of different goals, and by establishing measurable, time-bound objectives. The Millennium Development Goals promote global awareness, political accountability, improved monitoring, and mobilization of epistemic communities, civic participation, and public pressure. 2014 did not only commemorate 20 years of democracy, it also marked the year that the South African government had set for itself to meet and surpass most of the Millennium Development Goals. South Africa had also set specific goals of its own in 2004, some of which overlapped with the Millennium Development Goals that were to be achieved by 2014. These include: reducing poverty and unemployment by half, providing the skills required by the economy and reducing cases of tuberculosis, diabetes, malnutrition and maternal deaths, turning the tide against HIV/AIDS, and reducing preventable causes of death.

HISTORICAL OVERVIEW

In September 2000 at the United Nations' Millennium Summit, world leaders endorsed a set of time-bound and measurable goals and targets to combat poverty, hunger, diseases, illiteracy, environmental degradation and gender inequality and create a global partnership for development. 189 Heads of State came together at the United Nations Millennium Summit in New York and signed the Millennium Declaration, thereby strongly affirming the commitment and will of their nations and the international community to the achievement of the Millennium Development Goals by 2015 (Cimadamore: 2013).

According to Cimadamore (2013), this global agreement now known as the Millennium Development Goals was endorsed by all members of the United Nations. In developing countries, the Millennium Development Goals are proving their potential to bring together a wide range of opinion and decision-makers in support of a common development agenda (Cimadamore: 2013). According to Pogge (2013), in the year 2000, the rousing Millennium Declaration and its timid operationalization, the Millennium Development Goal, conveyed the message that concrete and stepped-up action was needed; the economic and social systems were reproducing poverty and exclusions at levels that were not compatible with democratic ideals and the notion of dignity and a decent life for all. These had been promised by the United Nations and the multilateral system since 1945. The Millennium Declaration signed by leaders of 189 states resulted in one of the most visible and unified global campaigns to address poverty in the history of multilateral development cooperation, the Millennium Development Goals (Pogge: 2013).

A critical review of the Millennium Development Goals needs to acknowledge their merits, even if the text of the eight Millennium Development Goals considerably weakened and watered down the core tenets of the Millennium Declaration (Pogge: 2013). According to Cimadamore (2013), chapter III of the Millennium Declaration, on development and poverty eradication, for example, had clearly spelt out the commitment of the leaders of the world to spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty and to making the right to development a reality for everyone and to freeing the entire human race from want. The road out of poverty was more vaguely defined as the aspiration to create an environment at national and global levels alike, conducive to development and to the elimination of poverty (Cimadamore: 2013).

Millennium Development Goal 1: Eradicate Extreme Hunger And Poverty

According to Koehler (2015) the Millennium Development Goal 1 is to eradicate extreme poverty and hunger and the first target is to halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Globally, we are well on track towards this target. On present trends, by 2015 the proportion of people living in extreme poverty should pass below the 14 percent target. This achievement owes much to progress in East Asia and the Pacific. South Asia is also on track, as is Latin America and the Caribbean. But sub-Saharan Africa is proceeding at a much slower pace: By 2004 the region had only reduced the proportion living in extreme poverty from 47 percent to 41 percent (Koehler: 2015).

The target of 24 percent by 2015 seems increasingly out of reach. As a result, by then close to half of the world's poorest people will be concentrated in sub-Saharan Africa. The poverty goal includes targets on nutrition aiming to halve the prevalence of underweight children under five by 2015. Globally, this target is likely to be missed (Koehler: 2015).

According to Alkire and Foster (2011),continuing the fight against poverty will require sustained investment in human development ensuring that families have the standards of education, nutrition and health that allow them to develop their capacities, as well as creating employment and other opportunities that allow them to use those capacities (Alkire and Foster: 2011).

It is important to note that during the Millennium Development Goals implementation phase, improvements in business and macroeconomic environments coupled with high commodity prices accounted for most of the growth and poverty reduction of the past decade. However, even with such strong growth, reducing the high rates of poverty prevalent on the continent has been hampered by overreliance on a few sectors for growth, high unemployment rates particularly for youth and women and a lack of industries to absorb the continent's existing large labor supply. Koehler (2015) further argues that, while, broadly speaking economic growth has played a significant role in poverty reduction, the reduction has not been sufficient to meet the Millennium Development Goal1 target of halving poverty by 2015, nor to meet the human development challenges that remain enormous on the continent.

Africa excluding North Africa remains the most difficult region for human development although worldwide human development indicators have shown positive and strong progress. Poverty in Africa excluding North Africa went down from 56.9 percent in 1990 to 42.8 percent in 2012 while North Africa achieved a 60 percent reduction in poverty rates over the same period. Despite the14.2 percent drop in the poverty rate, Africa's rapid population growth means that there are still many more poor people on the continent today than there were in 1990, with 389 million people in Africa excluding North Africa living in poverty in 2012 compared to 280 million in 1990.

Progress

According to Langford, Bartram and Roaf (2013) between 1990 and 2005, the proportion of people living below the poverty line fell from 42 per cent to 25 per cent, and based on this trend the developing world as a whole is on track to meet this Goal 1 target. But, the pattern of growth has not been even across the globe and some regions remain off track (Langford, Bartram and Roaf: 2013). The effect of the global economic crisis on developing countries has yet to be fully quantified, but it could push a further 90 million people into poverty. Monitoring how the crisis is affecting the poor and putting in place mitigating and supporting initiatives will be crucial to keeping this number down.

According to Chowdhury (2011) higher food prices have triggered an increase in hunger worldwide making the task of reaching this target more difficult. In September 2008, the United Nations Food and Agriculture Organization announced that high global food prices had pushed 75 million more people into hunger the number of people suffering from hunger is now 923 million. However, there has been a reduction in hunger in Eastern and South East Asia. These regions, along with Latin America and the Caribbean, are expected to meet the target. In Sub-Saharan Africa, Southern Asia, and Western Asia, the absolute number of undernourished has increased, but the percentage of undernourished has decreased (Chowdhury: 2011).

According to the latest information provided by the World Bank on data and analysis for Goal 1, the number of people living on less than US$1.25a day, declined globally from 1.922 billion in 1990 to 1.011billion in 2011(Chowdhury: 2011). The proportion of extreme poor as a percentage of the population of the developing countries decreased from 43.35 percent in 1990 to 16.99 percent in 2011.It is quite clear that, according to this measurement, extreme poverty can be reported as reduced. Poverty rates have been halved and about 700 million fewer people lived in conditions of extreme poverty in 2010 than in 1990. Such quick facts show that the Millennium Development Goals campaign is moving in the right direction (Chowdhury: 2011)

Challenges

According to Kanbur (2005) the world grows enough food to feed its population. To eradicate hunger, ordinary people need to be able to access food either by growing it or by buying it. Poverty is the primary cause of hunger, and poverty reduction is the principal means of tackling it. But climate change, poor farm productivity, weak governance, and armed conflict are also contributing factors. Drought and other natural disasters often increase the number of people facing acute hunger. Hunger reduces the ability of the poor to work and make a living (Kanbur: 2005). According to Karnani (2011) government policies and actions are critical for creating an environment in which people can obtain enough food. These include encouraging efficient markets and trade; enhancing productivity, especially farm productivity, and economic growth; tackling risk and vulnerability and putting in place measures to assist the poor directly. International support is needed to meet the immediate needs of vulnerable populations by improving access to food and nutrition support and increasing food availability.

This includes humanitarian actions as well as actions to boost smallholder farmer-led food production, trade, and tax measures. It is also critical to establish better global information and monitoring systems. Countries need sustained economic growth if they are to lift a significant number of people out of poverty, and it is the countries with the strongest growth rates that have seen the greatest progress in income poverty reduction (Karnani: 2011).

According to Karnani (2011), food and fuel price rises have changed the outlook for growth and limited developing country governments' ability to provide public services and protect the poor. Policies to stimulate investment are affected by conditions beyond their control, for example, gaining access to international markets for developing countries is likely to be more difficult. There needs to be continuing support to countries to lay the foundation for future economic growth by strengthening the environment for investment and job creation. It will also include action to protect the poor and ensure they have access to hospitals and schools and can feed their families (Karnani: 2011).

Discussion of the Chosen Millennium Development Goal in the South African Context

The Millennium Development Goals were adopted in September 2000 through the Millennium Declaration at the 55th session of the United Nations General Assembly, convened as the 'Millennium Assembly'. South Africa had also set specific goals of its own in 2004, some of which overlapped with the Millennium Development Goals that were to be achieved by 2014. These include Goal 1: eradicating Extreme Poverty and Hunger. The 2013 South African Millennium Development Goals report outlined that the government integrated the Millennium Development Goals into the Medium-Term Strategic Framework, the National Development Plan (NDP) and other policy planning and implementation instruments (Gumede: 2014).

According to Bhorat et al (2010:14), the challenge of poverty in South Africa is multidimensional, as it is in most parts of the developing world. In the main, though, poverty in South Africa is structural it is the structure of the economy that perpetuates poverty through its capital intensity, mineral-energy-complex character, and high-skill demand in the labor market. Gumede (2014) further argues that poverty remains very high in South Africa at least 40 percent of South Africans still live below the poverty line. It might also be that income poverty is increasing in South Africa due to the deteriorating domestic economy, increase in unemployment rate and poor state of the global economy (Gumede: 2014).

According to Frye et al (2011: 260), there is a general consensus in South Africa that inequality, particularly economic inequality, and poverty, specifically income poverty, have remained unacceptably high. Poverty and inequality in South Africa have a very clear racial bias as a result of the colonial and apartheid policies of racial discrimination and deliberate impoverishment. Also, in the South African context, the strong inequality between the various racial groups has always been a significant driver of aggregate inequality and poverty (Bhorat et al 2010: 14). Inequality is largely a function of an under-transformed labor market and a skewed structure of the economy in South Africa, the entrenched legacy of apartheid colonialism has ensured that economic inequality has increased and remains very high (Frye et al: 2011: 260).

Progress Made in South Africa

According to Gumede (2014), South Africa has made significant progress in reducing the depth of poverty and quality of life of those continuing to live below determined poverty lines where it managed to reduce the depth of poverty across a number of defined poverty gaps. South Africa's fiscal and social policies are widely acknowledged as being pro-poor and contributes to reduced poverty headcounts. South Africa's leveraging of its taxation system in the fight against poverty and inequality has enabled expansion of the social assistance system, increasing access to healthcare and education and extending free basic services to large numbers of indigent households (Gumede: 2014). According to Thwala (2011), South Africa attained three of the nine Millennium Development Goals indicators marking progress towards achieving reductions in poverty and hunger. The results show that progress has been made towards eradicating extreme poverty and hunger as defined by the international Millennium Development Goal poverty lines. Income inequality remains a challenge, however between 2001 and 2011 the proportion of households which are multi-dimensionally poor fell from 17.9 percent to 8.0 percent (Thwala: 2011).

According to Gumede (2014), the coverage of social grants increased from just over 2.5 million in 1997 to approximately 16.6 million beneficiaries by February 2015. The share of the poorest quintiles in national consumption which is defined as the income versus consumption that accrues to the poorest fifth of the population has decreased from 2.9 percent in 2000 to 2.7 percent in 2011 which is still below the Millennium Development Goal target of 5.8 percent. The employment-to-population ratio which measures the economy's ability to create sufficient jobs for those willing to work has reached 42.8 percent in 2014, thus falling far short of the 50 percent to 70 percent target. The unemployment rate remained high, in 2013; it stood at 24.7 percent according to the official definition. (Gumede: 2014).

Challenges Facing South Africa

According to Aharonovitz (2011), during the past two decades, South Africa has grappled with the triple challenges of poverty, unemployment and inequality. South Africa's unemployment problem is the biggest threat to achieving universal poverty reduction. The situation has not improved sufficiently between1990 and 2015 to meet the Millennium Development Goal targets and provide a foundation for sound national social and economic development. Vander Berg (2007) further argues that the major thrust of South Africa's challenges has to do with apartheid colonialism and its profound and lingering legacy. It is in this context that the government should have been more serious about meeting Millennium Development Goals and addressing other pressing developmental challenges.

According to Sachs (2005), apartheid colonialism employed various strategies and policies to sustain white control over the economy and to guarantee superior living conditions at the expense of South Africa's other population groups. One way of examining the severity of the ramifications of apartheid colonialism is to analyse the post-apartheid development dilemmas that constrain South Africa's socio-economic progress. The main ones are race relations, economic inequality and poverty (Sachs 2005).

According to Vander Berg (2007) in discourses related to the latter two, the government frequently talks of the 'triple challenge' of unemployment, poverty and inequality. Linked to the three main development dilemmas is unemployment, because of a poorly performing economy, and weak human development, because of poor education and health. Aharonovitz (2011) state that sound social policies should form the foundation of Africa's developmental progress, including socio-economic development in South Africa.

Planning Strategy to Improve Economic Development of South Africa

The Distribution of Income Strategy

According to Chenery and Kretschmer (1956), changes in the distribution of income are the most political part of the development process; provoke the most envy and the most unrest. Sensible policy-making is impossible without understanding why these changes occur, and what function they serve.

Growth versus Distribution

According to Chenery and Kretschmer (1956), normally, in the early stages of development, when the rate of economic growth is accelerating, the distribution of income becomes more uneven; in the later stages distribution stabilizes, then tends to be less uneven. Distribution becomes less even in the early stages, because acceleration of the rate of growth creates acute shortages of those factors of production which play the greatest part in bringing about growth.

According to Chenery and Kretschmer (1956), entrepreneurs are scarce, and in a private enterprise system will remain scarce if profits are low. If growth is accelerating profits are high and since the modern sector is growing faster than the traditional the relative share of profits in national income must increase even if the relative share of profits in the modern sector is constant. Chenery and Kretschmer (1956) further argued that there is acceleration in the demand for technicians, engineers, administrators, accountants and other educated persons, so middle class incomes rise. Incomes of skilled workers rise relatively to those of the unskilled for the same reason.

According to Lewis (1966), a change in distribution occurs because demand and supply are out of equilibrium; the supply of some resource is either too small or too large. A rising price signals that supply is growing too slowly, but the movement is self reversing. For the price increase encourages people to increase supply to check the rise in price and if it has been excessive to bring the price down again, faced with a change in distribution, the policy maker may react in one of two conflicting ways. The easier and more popular is to control the price; the more difficult is to effect an increase in supply. The two conflict because the incentive to increase supply is reduced when the price is not allowed to rise (Lewis: 1966).

The planner's contribution is to put major emphasis on increasing the supply of those resources whose scarcity is responsible for the uneven distribution of income. The conflict between distribution and growth arises only out of shortage of supply; if shortage can be eliminated, growth is possible without uneven distribution. However, shortage cannot be eliminated without incentives; so the planner has also to plead for that minimum of change in distribution without which supply cannot be adequately increased (Lewis: 1966).

Farm Incomes

According to Hapgood and Millikan (1965), development may raise or lower the farmers' incomes. Since farmers are more than half the population an increase in their real incomes is much to be desired, the main purpose of development is to raise the real incomes of the majority of the people. Farmers' incomes fall if world prices move against them, or, in commodities insulated from world prices, if supply increases faster than demand. The former case is liable to damage the whole economy; the latter calls for more rapid development outside agriculture, which would increase the demand, and at the same time through migration, reduce the supply (Hap good and Millikan: 1965).

According to Lewis (1966), the kind of increase in farm incomes which is required is not that which is due to food prices rising relatively to other domestic prices: this makes the farmers richer, but only at the expense of the rest of the population; and it may bring development to a stop by raising wages relatively to profits. The kind of increase in farm income which is required is that which is due to an increase in productivity or to an increase in exports or the prices of exports (Lewis: 1966).

An increase in farm income, due to the right causes, helps not only the farmers but also the rest of the economy. In countries where development policies mainly make the rich richer, the market for local manufactures is limited, since the rich spend much of their surplus on luxury imports and foreign travel (Lewis: 1966). By contrast, an increase in farm income widens the market for manufactures, and so stimulates industrialization; even the difference between a good harvest and a bad harvest can be observed in industrial output, once the limits of import substitution have been reached (Lewis: 1966).

According to Lewis (1966), an increase in farm income also increases the resources available for development. Farmers save and invest more; borrow less from other sectors; or invest more in other sectors. They can also be taxed more heavily, the proceeds being used either to finance public services, or to finance increased capital formation. Hap good and Millikan (1965) further argues that if the farmers save more, the economy is not so dependent on the savings of capitalists, and need not therefore be so tender towards profits. Thus a sound agricultural policy is a necessary basis for policy towards all other incomes, including wages and profits; for rising farm productivity provides leeway which does not exist when agriculture is stagnant.

Differentials for Skills

According to Anderson and Bowman (1965), the range of wages and salaries is much greater in poor than in rich countries because of the relatively greater shortage of skills. This handicaps development since it makes relatively expensive all services and industries which depend on skill and these tend to be the sectors that should grow fastest in a developing economy (Anderson and Bowman: 1965). According to Lewis (1966), the situation is currently worst in Africa, which has been importing not only university graduates, and high school graduates, but also skilled artisans, and which has inconsequence had to establish for these grades salaries higher than could be earned in Europe, whence personnel has been recruited. The ratio between the earnings of high school graduates and of unskilled workers is therefore fantastic, when compared with differentials in other continents (Lewis: 1966).

According to Lewis (1966), this situation will reverse itself dramatically as the proportion of young people passing through secondary schools climbs to 10 percent, and the university proportion to 1 per cent and more. The higher incomes may not fall in terms of money, but they must fall relatively, as unskilled wages rise faster than middle class salaries, and real income may even fall absolutely, as the opportunity of hiring servants cheaply diminishes. This will not happen without heartache. For those few Africans who currently enjoy higher than European standards will deeply resent their loss of status, if not also their loss of servants, and will make political trouble (Lewis: 1966).

Wages

According to Reynolds (1965), politically the most difficult problem in new states is wages policy, since the trade unions have usually more power than either the middle classes or the farmers. Both the general level of wages and the differentials between prosperous and less prosperous industries cause trouble.

From the point of view of trade unions the obvious policy to pursue is to raise wages highest in the industries which can pay most, and trust to the high wages there to pull up the low wages elsewhere. We have already seen the disastrous consequences this can have for employment. One industry can pay higher wages than another, whether because it can more easily pass wages on to the consumer or the taxpayer in higher prices (or taxes), or because it is using natural resources which it has obtained too cheaply or because the opportunities for mechanization are specially good (Reynolds: 1965).

According to Lewis (1966), raising wages in such an industry may have little effect on investment there, but it pulls down investment in the rest of the economy, as wages are driven up there, or pulls down employment by turning investment in the labor-saving direction. Lewis (1966) further states that if a country wants to achieve a high level of investment it is clearly undesirable that the general level of wages be determined by what the most prosperous industry can afford to pay. The appropriate way to treat industries with excess profits is not to raise their wages but to levy taxes on them if they are producing for an export market, or to control their prices if they are producing for the home market under monopolistic conditions (Lewis: 1966).

In the absence of Trade Union or Government Pressure, the general level of wages would be determined by the level of agricultural incomes, since by paying something more than the average agricultural income, the towns could get all the labor they wanted (Lewis:1966). Urban wages will always exceed farm incomes, partly because the cost of living in towns is higher, partly because a more rapidly growing sector has to offer higher real earnings in order to attract labor, partly because working eight hours a day for five or six days a week throughout the year requires a greater input of food than working the farmer's year, and partly because working eight hours every day for wages in towns is less pleasant than working on one's farm, and therefore demands higher compensations (Lewis: 1966).

Profit

According to Abramovitz (1959), profit generates enterprise and saving. An economy can dispense with private enterprise if it possesses a capable and enterprising public service, but it cannot in any case dispense with profit, since profit is the major source of saving in a developing economy, whether in private or public enterprise (Abramovitz: 1959).

According to Abramovitz (1959), small farmers do a fair amount of saving in kind, using their own labor for physical improvement of their farms and houses; but they tend to look outside agriculture for funds to finance those agricultural investments which require a good deal of money, whether on the farms or off the farms. So the modern sector has sometimes to finance not only itself but some part of agriculture as well, unless the farmers are properly taxed.

According to Lewis (1966), the working classes save very little, and what the salaried classes save goes mainly into housing and education. Profits provide most of the saving for new investment in commerce and industry. They are also a major source of taxation. An economy will grow rapidly if profits are high, and will stagnate if profits are low (Lewis: 1966).

According to Lewis (1966), in an economy depending mainly on public enterprise, the government has no difficulty in seeing the close connection between the share of profits and the rate of growth, and in the early stages of its development programme, always throws its weight on the side of keeping down real wages. In a private enterprise economy dominated politically by capitalists, the same philosophy is effective. In a private enterprise economy whose government is hostile to capitalists, the conflict between growth and distribution comes to a head. (Lewis: 1966).

Incomes Policy

According to Chenery and Kretschmer (1956) if it were feasible to regard the level of profits as a matter mainly between the government and the employers, in the sense that the government will set tax rates or control prices at whatever gives the appropriate level of profits, then the desirable wages policy would be clear. Chenery and Kretschmer (1956) further stated that there is no ethical or economic reason why unskilled labor should outdistance the farmers, at the cost of increased unemployment and reduced saving and investment. The main elements of an incomes policy would then be clear:

- Raise agricultural productivity as quickly as possible
- Keep unskilled wages about 50 percent above average agricultural incomes
- Accelerate the output from secondary schools, training schools and universities, so as to diminish the gap between middle class and working class earnings in a private enterprise economy
- Tax profits as heavily as they can bear without reducing gross private investment below 15 percent of national income.

According to Reynolds (1965) this is not a wage freeze policy since, if agricultural productivity is rising, workers' and farmers' incomes will both rise in step. It is only a policy for the early stages of growth. If private investment exceeds 15 percent, the modern sector must sooner or later absorb all the surplus farm labour and the gap between wages and farm incomes will have to widen if the labour force of the modern sector is to continue its relative expansion. Reynolds (1965) further argued that by that time wage earners will be so large in numbers relatively to farmers that their incomes will determine the farmers', rather than the other way round.

According to Reynolds (1965) this formula is only one possible solution; it assumes that in a private enterprise economy profits are recognized as necessary to growth; that growth is given equal priority with distribution, and that as far as possible the fruits of growth should be enjoyed generally, rather than be concentrated on workers in some industries, or on special grades of skill. Reynolds (1965) further argued that these assumptions are acceptable to most governments, and even to some trade union leaders, but are difficult to sell to the rank and file. Based on mutual confidence between political and trade union leaders, is one of the more important features of development strategy (Reynolds: 1965).

According to Lewis (1966) government should spend liberally on social services, especially education, health and welfare services, and take aggressive steps to improve working class housing; adequate opportunities for secondary education are especially valued because they give working class families the sense of an opening future.

Lewis (1966) further argued that the employment aspects of the Plan should also receive special consideration; prestige expenditures should be cut, and the money used instead to create resources which will provide employment; capital-intensive schemes should give place to more productive labour-intensive enterprises; and useful relief projects should be started for all who are genuinely seeking work (Lewis: 1966).

CONCLUSION

The Millennium Development Goals which were adopted in 2000 to focus on developing countries only ended up in 2015.Since their adoption the millennium Development goals have played a role in lifting more than one billion people from extreme poverty, reducing the number of people suffering chronic hunger, preventable death and illness, and enabling more girls and boys to attend school than ever before. People today, in all regions are on average healthier, better educated and more prosperous than ever before.

The Declaration, adopted by Member States of the United Nations General Assembly in the year 2000, articulated the world's collective responsibility to uphold the principles of human dignity, equality and equity at the global level" and to eradicate the world's most extreme and deplorable conditions, including poverty and destitution. South Africa has done relatively well in some Millennium Development Goals. Although there are improvements and major challenges remain with Millennium Development Goal 1. The post-2015 development agenda for South Africa should prioritize socio-economic challenges that relate to income inequality, job creation, poverty reduction and social cohesion.

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