

SCM /Tender Ref #:	DPME 09-2022/23
--------------------	-----------------

Request for proposals for:	<b>Benchmarking Exercise on the Reduction of Inequality and Promoting Social Cohesion in South Africa</b>
----------------------------	---

## 1. BACKGROUND

In order to drive nation building, social transformation and social cohesion, the National Development Plan (NDP) suggests five pillars for the attainment of a socially cohesive society.

The related and indivisible pillars are:

- Fostering Constitutional values for a South Africa that belongs to all who live in it.
- Equal opportunities, inclusion and redress by building capabilities;
- Promoting the sharing of common spaces that enables interaction of people across race and class as well as debunk stereotypes;
- Promoting active citizenry and leadership and participation in the civil affairs of the country which is an important marker of a maturing constitutional democracy; and
- Social compacting for higher growth, employment, and increase in investment and savings.

Of all the pillars that are meant to contribute to nation building and social cohesion, the pillar that shows least progression is that of equal opportunities, inclusion and redress.

### 1.1 Equal Opportunities Inclusion and Redress

The Constitution through the Bill of Rights. Chapter 2 of the Constitution - Bill of Rights guarantees the following rights:

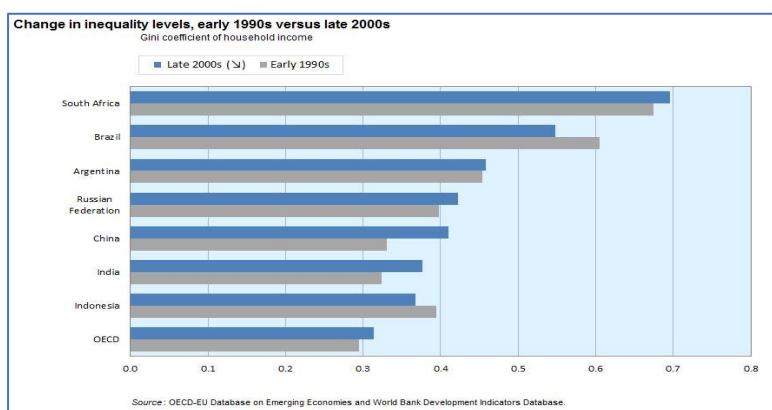
- Environment that is not harmful to health or well-being (Clause: 24),
- Adequate housing (Clause: 26),
- Health care services, including reproductive health care; sufficient food and water; and social security, including, if unable to support themselves and their dependants, appropriate social assistance. (Clause – 27),
- Basic education, including adult basic education; and to further education, (Clause: 29),

Creating equal opportunities and building capabilities should begin with ensuring that everyone has equal access to quality basic services through the social wage. The social wage

is defined as amenities provided by government to society through public funds to improve the quality of life of vulnerable households. These include social grants, free basic electricity and water, no-fee paying schooling, primary healthcare and the provision of free housing (National Development Plan)<sup>1</sup>.

For the social wage to be realised, there is a need for progressive redistribution of income and opportunities through the fiscus, and the broadening of economic participation, and elimination of poverty and inequality. Even after more than 25 years of democracy, inequality has increased despite the guaranteed social wage in Chapter 2 of the Constitution. Inequality manifests through a skewed income distribution, unequal access to opportunities, and regional disparities. Inequality is very pronounced, more so in terms of wealth than income. Inequalities is global challenge. South Africa is the most inequality country in the world. Reducing inequality of opportunity and outcome is difficult as it is evident that China and India, like South Africa, has high levels of inequality. However, some countries such as Brazil and Indonesia have managed to achieve a reduction as reflected in figure 1 below:

**Figure 1: Change in inequality levels, early 1990s versus late 2000s**



Source: OECD-EU Database on emerging economies and World Bank Development Indicators Database

In addition to raising an estimated 40 million people out of poverty, the Brazil's GINI coefficient fell by 12%, from 0.59 in 1995 to 0.52 in 2012. It is estimated that:

- i. 35-50% of the reduction in inequality in Brazil can be attributed to changes in non-labour incomes, largely as a result of growing social assistance programmes; Bolsa Familia conditional grant - Despite costing just 0.7% of GDP, the conditional grant is extremely effective in targeting recipients.

<sup>1</sup> National Development Plan 2030. Our Future Make it Work. <https://www.gov.za>

- ii. A further 10% or so can be attributed to demographic factors, particularly the declining household size among poorer families.
- iii. The remaining 40-55% is attributed to changes in the distribution of labour earnings. So far, the dominant explanation for this has been the effects of a better educated workforce.

The International Research Initiative on Brazil and Africa (IRIBA)<sup>2</sup> project led by the World Bank suggests that it is lower gender and race wage gaps, and lower urban and regional wage premia that contributed the most to a reduction of inequality as well as a reduction in the gap between formal and informal sector workers. The initial conclusion that can be reached from the perusal of various studies of how the reduction in inequality of opportunity and of outcomes goal can be achieved is that interventions must aim at the improvement in the social wage (access and quality) and in labour market outcomes.

In the contest of Social Cohesion, it has to be looked at as multifaced aspect of development with multiple dimensions (social, economic, political and cultural) that are interdependent and play a key role in ensuring that we are not just a country, but a nation with one common identity. The NDP advocates for effective government, active citizenry and leadership as a paradigm shift for nation building and a cohesive society.

Given the interdependencies within the various aspects of development, and the fiscal constraints, social compacting becomes critical in achieving social cohesion.

## 2. PROBLEM STATEMENT

In spite of a social wage guaranteed by the Constitution, South Africa continues to be the most unequal society in the world threatening social cohesion. The following challenges are still persistent in South Africa:

- The Gini coefficient of incomes was 0.67 in 2006, 0.65 in 2009, and 0.65 in 2015, using data from Statistics South Africa's Income and Expenditure, and the Living Conditions Surveys.
- The wage income in total income has remained relatively constant at around 70% over the post-apartheid period, wage income has contributed between 85% and 90% of total inequality of household income over the years 1993 to 2008 (Statistics South Africa, 2019).

---

<sup>2</sup> International Research Initiative on Brazil and Africa (2014). How Brazil Has Reduced Inequality. <http://www.brazil4africa.org>

- According to Statistics South Africa (2020) labour market income is overwhelmingly the largest contributor to income inequality when compared to other income sources.
- Social grants have played a crucial role in reducing the income inequality gap between the bottom and top deciles over the years in South Africa (Stats SA - 2021)<sup>3</sup>.
- Employment outcomes shows that Black Africans earn the lowest wages as compared to other populations groups.
- Black Africans has the highest level of unemployment rates.
- Wealth ownership remains concentrated amongst the 1% of total population.
- Interracial interaction continues to vary across locations in South Africa (South Africa Reconciliation Barometer Survey - 2021)<sup>4</sup>.

### 3. PURPOSE, OBJECTIVES AND SCOPE OF PROJECT

The purpose is to appoint a service provider to collaboratively work with DPME in conducting a benchmarking exercise on inequality and social cohesion in South Africa.

The objectives of the benchmark exercise are:

- To makes an in-depth assessment on the combination of factors that can make it possible to reduce inequality of opportunity and outcome in the selected countries and to make possible recommendations for South Africa.
- To develop credible hypothesis on why the extensive social wage has not catalyzed reduction of inequality of opportunity and outcome in the case of South Africa - using existing academic research.
- Collate and synthesize relevant information on the combination of factors that contribute to the reduction of inequality of opportunity and outcome in selected countries namely Brazil, South Korea, United Kingdom, Indonesia, Germany and Malaysia.
- To outline possible interventions that could assist South Africa in building a stronger pillar of social cohesion in the context of social, economic, political and cultural aspects of development and conditions necessary for success.
- The results of the study are meant to inform and improve the next MTSF and give insight into the subsequent 30-year review, which is due in 2024.

---

<sup>3</sup> Statistics South Africa (2021). <https://www.statssa.gov.za>

<sup>4</sup> South Africa Reconciliation Barometer Survey (2021). Report Institute for Justice and Reconciliation. <https://www.ijr.org.za>

#### 4. RESEARCH QUESTIONS

The study aims to answer the following research questions:

- a) What explicit interventions were put in place to reduce inequality of opportunity and outcome in chosen countries
- b) What explicit intervention were put in place to promote nation building and social cohesion in chosen countries
- c) What conditions existed to make these interventions successful for the reduction of inequality of opportunity and outcome as well as for social cohesion

#### 5. PROPOSED METHODOLOGY/ APPROACH

- Guided by the purpose and objectives, the study will follow a qualitative review that is three pronged, consisting of:
  - Desktop review and synthesis of existing relevant studies including country reports for the selected benchmarking countries.
  - Systematic literature review on the basket of interventions in the selected countries;
  - The development of primary data collection tools and analytical frameworks, actual data collection through physical interaction (interviews, questionnaires, meetings) will be conducted.
  - Stakeholder engagements with development institutions will also be conducted and thereafter reports will be produced.
  - A comparative analysis of at least three of the selected countries on the reduction of inequality of opportunity and outcome as well as for social cohesion

##### 5.1 The criteria used to select countries includes the following aspects:

- Rapid rebuilding after a conflict, and the rebuilding is relatively equitable: Germany
- Growth in a very diverse society: Indonesia
- Reduction of inequality: Brazil

#### 6. DELIVERABLES AND TIMEFRAMES

The project is budgeted for implementation in the 2022/23 financial year (August 2022 to March 2023) and the expected deliverables include the following:

Deliverable	Target Date
Inception Report	September 2022
Literature review report	September 2022

**TERMS OF REFERENCE: ANNEXURE A**

Data collection tools	
Stakeholder engagement with development agencies	October 2022
Primary data collection	November 2022
Benchmarking report	December 2022
Final Draft Report	January - February 2023
Power-point Presentation of the Report and all documentation	March 2023

**7. PROJECT MANAGEMENT / REPORTING ARRANGEMENTS**

- The Service Provider will collaboratively work with DPME in conducting the benchmarking exercise.
- A reference group will be formed to provide the project with strategic advice, guidance, and support.
- In terms of reporting arrangements, the project will be managed by the Outcome Facilitator: Ms Josephilda Hlope.