THE SOCIAL IMPACT OF THE GLOBAL FINANCIAL CRISIS ON THE SADC

The Case of SOUTH AFRICA

OSISA
Open Society Initiative for Southern Africa

ECONOMIC JUSTICE NETWORK of FOCCISA
Fellowship of Christian Councils in Southern Africa

The Economic Justice Network

The Economic Justice Network (EJN) was formed in 1997 by the Fellowship of Christian Councils in Southern Africa (FOCCISA). EJN is the economic arm of FOCCISA and works in the furtherance of economic justice in 11 of SADC countries namely South Africa, Lesotho, Swaziland, Botswana, Namibia, Angola, Mozambique, Zimbabwe, Zambia, Malawi and Tanzania. The major role of EJN is to build capacity and facilitate the National Christian Councils (NCCS) to get engaged in economic and social Justice work at the national and regional levels. EJN also operates as a think-tank for FOCCISA on economic justice issues. The Network has well established mechanisms and structures from national level to regional level to bring experience and concerns of the marginalized and poor people to the agenda of the church and society.

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This research was done by Sofia Svarfvar and Sandisiwe Ncube in August 2009

Executive Summary

On 26 May 2009 the National Treasury of South Africa declared that the country was in recession for the first time since 1992. Despite years of robust economic growth and improved macro-economic stability, South Africa finds itself succumbing to the current global recession. In 2009, the nation's economy faced two consecutive quarters of declining GDP growth. Declines in major South African industries such as the motor and automobile components, manufacturing, mining and wholesale and retail trade have been amongst the biggest contributors to the current decline in South Africa's economic growth. Another important determinant of the decline in economic growth in South Africa is declining capital inflows, such as portfolio investments and foreign direct investment. These economic declines translate themselves into falling employment, and massive job shedding which have massive social impacts.

The research explores the social impact of the current crisis through a number of means including research, literature reviews and interviews with independent analysts, key social and civil society structures. They all shared similar opinions, highlighting the fact that the social impacts of the current financial crisis were severe. At the same time, it is important to highlight that this financial crisis, is a crisis that occurred within other crises (such as high food and energy prices and climate change) that were prevailing in the South African socio-economic scene. Socio-economic issues such as high levels of unemployment and of poverty and income inequality had already plagued South Africa.

The social impact of the current financial crisis is reflected in a number of key areas namely, social security and income inequality, unemployment, gender, the informal sector, food security and social unrest.

One of the biggest factors in the social impact of the current crisis is the increased levels of unemployment and massive job shedding in key industries leaving many individuals and families vulnerable. Women, (particularly black women) make up the majority of those who are unemployed before and after the crisis. Women also experience the greatest fluctuations in employment. Many families are dependent on domestic remittances from spouses who are workers in industries such as mining (which is undergoing massive job cuts).

Without any means of income, social security and the access to basic services will decline. This could lead to lack of access to health, education and housing facilities. Furthermore an emerging increased income inequality is a real threat to the society (this is also due to income inequalities inherited from the apartheid era).

Together with high food prices, food security, malnutrition and hunger is likely to increase. In addition, instances of social unrest are likely to increase.

Increased scarcity of financial resources is conductive to social uprisings such as xenophobic attacks, illegal mining and crime. The research further explores that South Africa as an investor in the continent is growing and has therefore a responsibility outside its borders to reduce the social impact of the crisis. This includes representing the needs and interests of African countries at the G20.

Government's Response to the Crisis

The South African government and key parties (Labour Unions and Business (Private Sector)) came together in late 2008 to create a framework that now serves as a response to the financial crisis. In his State of the Nation Address 2009, President Jacob Zuma committed to a number of socio economic goals in order to deal with socio-economic issues in the light of the recession. The research concludes that it is the implementation of the framework and the state of the nation that worries all stakeholders interviewed.

Recommendations

The Government and the Presidency of South Africa

- Most importantly for the Presidency is to address a fast implementation Framework for South Africa's Response to the International Economic Crisis. The task groups that are in place need to be taken seriously.
- The Presidency needs to start a planning process to deal with the fact that many jobs will be lost when all the contractions and preparation for the FIFA world cup 2010 has been finalized.
- In the light of the current global warming, the increase in infrastructure should not build up the dependency on fossil fuel but should instead, support alternative sources of energy and transport.
- All processes need to be transparent in collaboration with civil society and other stakeholders to create an inclusive process that will be implemented. Channels such as Nedlac are a key component in the creation of truly representative economic policy. Coherence and cooperation between departments is crucial.
- The high food prices need to be considered as a serious problem of poverty and relevant measures implemented.
- Finally, there is a need for an education campaign to inform the public on the current crises (financial, food and climate change) and the measures that should be taken to deal with them.

Good and ethical cooperation behaviour, International Cooperation and Trade

- Companies and the government of South Africa need to take a responsibility for good and ethical cooperation behaviour to avoid exploitation both for companies operating within South Africa but equally important for South African companies operating on the continent.

  This includes sustainable health insurance also in times of economic downturns. " International donors must understand predictability in funding support as an essential principle and make improvements in this regards. This includes the aid channelled through NGOs.

- Donors must not go below the existing volume commitments.

- South Africa as the only African country in G20 has a special responsibility to make sure that the African voices are heard in this forum.

- South Africa should further strengthen the regional integration in Africa. It is important for the continent as a whole to decrease the dependency of the European and American markets.

Acronyms

ASGISA	Accelerated Shared Growth Initiative
COSATU	The Confederation of South African Trade Union's
FDI	Foreign Direct Investments
GEAR	Growth, Employment and Redistribution
NEDLAC	National Economic Development and Labour Council
NUM	National Union of Mineworkers NUMSA National Union of Metalworkers of South Africa
ODA	Official Development Assistant
RDP	Reconstruction and Development Programme
SARB	South African Reserve Bank

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Introduction

"I know one worker. He worked for a big company in Eastern Cape. When the company retrenched he lost his job and was left with nothing. The salary was the payment for the children's education. One kid has already been forced to leave University due to the situation and lack of money. The worker is too young to receive older pension. The family used to have Medical Aid. The system was that the company paid 60 percent, and then you pay 40 per cent yourself. When the company is not contributing to the insurance anymore, the family, now, has to rely on the public health system that is not in order. Moreover, they might lose their house. The worker cannot afford to pay for the bank loan." Mr Tengo Tengela, Policy Unit NUMSA

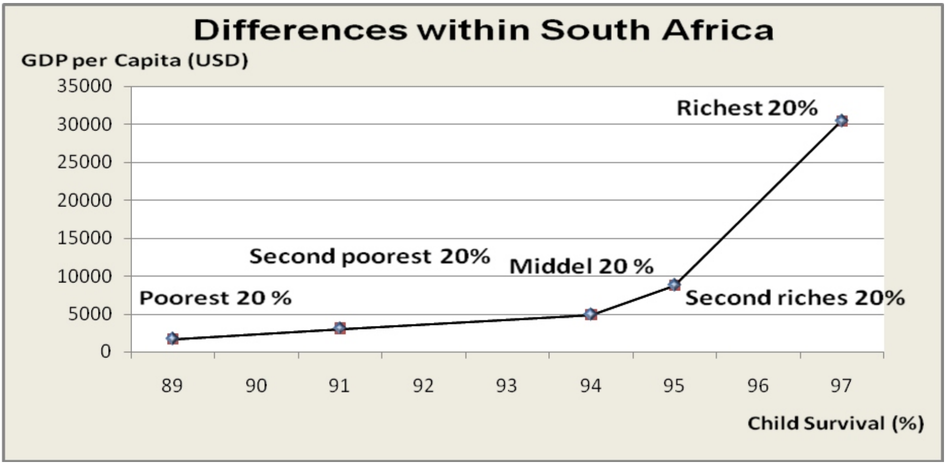
So far 208 000 jobs have been lost in South Africa only in the first quarter of 2009 according to the South African statistics. The unemployment rate rose from 21.9 % in the fourth quarter 2008 to 23.5 percent in the first quarter 2009 (Hazelhurtst E 2009b).

South Africa is classified as an upper middle- income country with an average annual income of USD 3630 per person (OECD 2007). The country has during the last years had robust economic growth of around five percent. Compared to its neighbouring countries, South Africa is not heavily dependent on foreign aid. The official aid figure is only 0.3 percent of GNI and it has fallen since GNI has increased faster than the aid flow (OECD 2007). Conditions around access of services have improved, for example, in the latest African Monitor report (2009), South Africa is shown as an example of progress with regards to improved water supply. In 2005, 95 % of the South African population had access to improved water supply according to the report. The 2010 FIFA World Cup in South Africa is up-and-coming and the country is in preparation for the world's largest sport event. At the same time, however, South Africa is a country fighting with enormous problems of poverty. 11 % of the population live below a one-dollar-a-day poverty line and 34 % below two-dollar-a-day (OECD 2007). South Africa´s population is 47 million, so the story is that millions of people are in a struggle in their everyday life.

South Africa is a country often described as an industrial country on top of a poor country with a gap between rich and poor (see figure1).

It is against this background that the global financial crisis hit South Africa. This study does not investigate the effects of the financial crisis on the banking sector. What we see is a decline in global demand for goods that has reduced the export orientated sector in South Africa. This study is exploring the social impact of the global crisis in South Africa. It takes its stand in the decline in capital inflows, aid money and export revenues that affects the country.

Figure 1



Source: Figures from 2006 Human development report www.gapminder.com

Objectives of the research

The objectives of this study as given in the Terms of Reference is to:

- Investigate the social impacts of the financial crisis and analyze the nature and extent of these impacts;
- Identify at micro-level the various groups affected by the crisis and assess the differential impacts on them;
- Examine the monitoring systems in place to track the impact of the financial crisis; " Assess the household responses and coping mechanisms to the crisis;
- Examine the various responses of the government and other institutions to the crisis. " Provide recommendations on how to engage so as to mitigate the crisis on the poor and vulnerable people in SADC.

The ultimate aim is to give a comprehensive understanding of the current situation in South Africa. There is awareness that there are many aspects to be considered that this study does not include or just briefly explore.

Methodology

The methodology is a combination of literature reviews and interviews with stakeholders. To investigate the social impact of the economic downturn, the research is firstly based on desk research regarding the specific statistics and facts. Relevant literature has been explored and economic data has been examined.

Thereafter interviews were carried out with key stakeholders to hear their stories. Important stakeholders in this regard are trade unions given the massive job losses being experienced. Economic analysts have also been interviewed as well as organisations representing the grass root level. The official response has also been thoroughly examined and analysed. South Africa differs in many aspects from the rest of its neighboring countries. South Africa is an open economy which is highly integrated in the global market. South Africa is also a part of the informal yet powerful group G20. The research therefore also examines South Africa's role in Africa and G20 to be able to provide relevant policy recommendations.

Background - The Macro-economic Performance and Policies in South Africa

South Africa's macro-economic policies and frameworks played a pivotal role in turning it from a closed and highly regulated economy into one of the world's leading emerging markets, and Africa's leading attractor of investment and capital. Prior to 1994, apartheid's macro-economic policies and frameworks were defined by high import taxes, import substitution and the protection of local industries with the aim of strengthening and sustaining the apartheid economic machine. Furthermore, strained international relations and economic sanctions also contributed to the closed nature of the apartheid economy.

From 1994 to present, a number of macro-economic policies and frameworks have been instituted. These include the RDP (Reconstruction and Development Programme), GEAR (Growth, Employment and Redistribution) strategy and ASGISA (Accelerated Shared Growth Initiative).

The Reconstruction and Development Programme - 1994 to 1996

The end of apartheid in South Africa was a pivotal point in the socio-economic and political sphere of the nation. Years of economic, social and political oppression of the black majority had come to an end, with the hope of better things to come. The dire socio-economic, poverty and living conditions that faced many South Africans were a pressing issue which the government needed to address as quickly as possible. This saw the creation of the macro-economic policy and strategy, namely RDP. The RDP was birthed out of the ANC's need to deal with the desperate socio-economic environment that plagued most South Africans. It is clear that the main goal of the RDP was to improve the human development and lives of impoverished South Africans. Hence the RDP was more of a "social" macro-economic policy and it had to be such due to the nature of the socio-economic environment that prevailed.

Growth Employment and Redistribution Program - 1994 -2006

At the beginning of 1996, abruptly and without warning the RDP came to a halt. The RDP was suddenly replaced with GEAR a macro-economic strategy. The main focus of GEAR was the growth of the economy as an engine of poverty alleviation, equitable income distribution and employment creation. The essence of GEAR was that macro-economic stability would lead to growth and "growth will lead to job creation, which will in turn increase incomes for the poor and expand the revenue base" (Blake, 1998: 50).

The shift from the RDP to GEAR was a drastic and hasty one, the RDP had focused on democracy and the development of the country's people and human resources.

GEAR had goals such as "speeding up restructuring of state assets [including privatization],""a reduction of tariffs to contain input prices and facilitate industrial restructuring, compensating partly for exchange rate depreciation," and "a faster fiscal deficit reduction programme to contain debt service obligations, counter inflation and free resources for investment;" (Hirsch, 2005: 99).

GEAR had shifted the focus to the development of the economy with the hope that the growth and development of the economy would trickle down to the rest of the population, as opposed to the RDP which had focused on the development of the population as a means of economic growth.

Accelerated and Shared Growth Initiative- 2006 to present

In February 2006 ASGISA was launched. This program was intended to be a "national shared growth initiative, rather than the government's programme" (Janisch, 2007). The objectives of ASGISA are to "reduce poverty and unemployment by 50% by 2014" as well as to create "sustainable average economic growth rates of 4.5% between 2005 and 2009" and "6% growth between 2010 and 2014" (Janisch, 2007).

ASGISA has six initiatives to achieve this growth and these include sector strategies, infrastructure initiatives, education and skills initiative as well as the Joint Initiative for Skills Acquisition (JIPSA), (Janisch, 2007). These six initiatives are viewed as "binding constraints to growth" and if dealt with could lead to successful economic growth (Polity, 2008). ASGISA aims to combine the economic objectives in GEAR and the social objectives of the RDP. It was created with consultation of members of political and economic sectors as well as civil society. It was also created at a time when it was realized that GEAR was not achieving its goals.

"In view of the dismal performance of the GEAR strategy, a number of alternative macro-economic policies have been suggested to stimulate economic growth, especially in sectors that are more labour-intensive" (Khamfula, 2004: 9).

According to the Annual Report of ASGISA of 2007, it has had successes as "the rate of economic growth and investment has exceeded even our most ambitious targets" (Polity, 2008). The report even went on to say that South Africa was experiencing "a period of growth unlike any before in the country's history" (Polity, 2008).

The report even goes on to mention that there is the possibility that ASGISA will even achieve its main target of halving employment by 2014. In conclusion, however, many are of the general opinion that despite the impressive economic growth experienced since 1996 no significant reduction in poverty has been achieved. So, despite advances in economic growth South Africa have still have many hinders to advances in poverty alleviation.

South Africa Macro-economic Performance 1994 to present global financial crisis

South Africa's current status is one of the world's leading economies and a member of the world's 20 biggest economies G20. The macro-economic development is a combination of various factors that have allowed for a better macro-economic environment in post apartheid South Africa. These include the liberalization of markets, positive investor sentiment, and government policies that were aimed at encouraging foreign investment.

South Africa's macro-economic performance improved considerably "in the decade following the political transition (i.e. 1995 - 2004)". Furthermore "this period was also characterized by a remarkable improvement in macro-economic stability in South Africa" (Smit, 2006:84). Economic indicators reflected this improvement, for instance, "the real GDP growth rate increased to 3,1 percent (compared to 0,8 percent in 1985-1994), the inflation rate declined to 6,4 percent (from 14,1 percent in 1985-1994), the current account balance reflected small deficits and the level of foreign-exchange reserves improved marginally" (Smit, 2006:84). Over the last years, South Africa has had a robust economic growth of around five percent. Now, the country is facing the first economic downturn in many years. It is predicted that South Africa's GDP growth will only be 1.1% compared to the expected 4.9 % (See Table 1).

TABLE 1	**Real GDP growth**			**GDP change**
	Before crisis	**Projection before the crisis**	**Current Projection**	
	2008	**2009**	**2009**	**2008-2009**
South Africa	4.0	4.9	1.1	-2.0
Africa	5.9	5.9	2.8	-2.9

Source: Impact of the Crisis on African Economies - sustaining Growth and poverty reduction, African Perspectives and Recommendations to the G20, A report from the Committee of African Finance Ministers and Central Bank Governors established to monitor the crisis. March 21, 2009 Analysis of capital inflows to South Africa

This chapter examines the capital inflows including remittances, private capital inflows (including foreign direct investment), and income from exports as well foreign aid. All these capital inflows play a vital role within any country's economy and society particularly that of a developing nation, as they provide finance and funding that otherwise would have not been present. Capital inflows also have an important role in South Africa's social, political and economic environments.

Ideally, capital inflows provide a number of benefits. For instance FDI create opportunities for "job creation through the employment of local workers, the transfer of technology from highly developed countries" as well as "increased access to foreign markets and increased productivity" (Moolman et al, 2006: 4).

The sum of all these benefits being that they allow "FDI to become a catalyst for economic growth" (Moolman et al, 2006: 4).

Aid inflows also assist a nation in providing additional funding to accomplishing its human and social development needs. Remittances play an important role for families to sustain themselves. However, with the decline in global demand for goods, South Africa, as a country well integrated in the global economy, is already experiencing the effects.

This chapter shows that the FDI has decreased and that there is a serious concern that aid fund to NGOs will be cut.

Box 1 Capital inflows movement prior to financial crisis - a brief analysis from 1994 to present

Prior to the end of apartheid in1994, South Africa had a closed economy with limited capital inflows. However, with the end of apartheid came new economic opportunities and changes in economic policies that foreign investors and companies began to exploit. The onset of democracy in South Africa also saw a change in economic policies and agendas. The government and economic policy makers and stakeholders realized the desperate need for capital inflows to assist with the socio-economic development of South Africa. Apartheid's racist policies had purposefully created dire social and economic conditions for black South Africans.

Capital inflows would be needed to fund much needed infrastructural development, and programmes such as the RDP (Reconstruction and Development Program).

Therefore policies that advocated for liberalized movement of capital were instituted and this made conditions more conducive for foreign investment and capital inflows. Hence liberalized institutions such as the JSE (Johannesburg Stock Exchange) began to play major roles as vehicles for foreign direct investment and private capital inflows. One of the biggest determinants of the surge in capital inflows in 1994 was the "was the swap agreement where South African firms were allowed to invest offshore if they could secure foreign investment into South Africa" (Mohamed, 2003: 4)

Private Capital Inflows, FDI and Exports Revenue

For South Africa, the majority of private capital inflows come via portfolio flows and investments. Since 1994, "South Africa has attracted relatively little foreign direct investment (FDI), but considerable amounts of portfolio flows" and is different from other emerging markets as "the composition of capital inflows...appears to be biased toward portfolio investment" (Ahmed et al, 2005: 3). It has not all been smooth sailing for South African capital inflows.

South African portfolio flows "reached a record high of (6.5% of GDP in 1999) before turning negative in 2001 and crashing to a record low (-6.6% of GDP) in 2001" (Mohamed, 2003: 4).

Mohamed (2003: 3), highlights that "most of the capital flows entering South Africa have been short-term portfolio flows" and the bulk of these flows "have been absorbed by the private sector."

So, a large portion of South African capital inflows are via these portfolio investments which are sensitive to and largely influenced by investor sentiments and changes in policy. As the largest flow of capital, these portfolio investments and flows play a critical role within the South African economy. However the crisis and turbulent markets worldwide has resulted in investors resorting to risk aversion which "will continue to impede portfolio flows" into South Africa's markets (Hazelhurst, 2008). For the first quarter of the year 2008 and 2009 has the Portfolio flow and FDI has decreased by 20.94% respective 21.16%

The generation of revenue and income from exports is an important facet of any economy. Income from exports contributes significantly to the nation's current account and foreign reserves. Income from exports accounts for 7.3% of South Africa's GDP. Industries such as mining and manufacturing are South Africa's greatest export earners. However, with the global financial crisis, demand for South African goods has fallen. South African export markets such as Japan, USA and Europe have been hit the hardest by the current crisis. These export revenues have decreased by 2% for the first quarter of the year 2008 and 2009.

TABLE 2 **Capital inflow to South Africa**	**Changes in South Africa due to the global economic downturn – in millions of Rands.**		
	Latest data as of June 30 2009	**Same period last year, (that is Q1 2008)**	**% Change**
Portfolio Investment	907	717	-20.94%
FDI	449	354	-21.16%
Exports Revenue	41457	40656	-1.93%

Source: South African Reserve Bank. Economic and financial data for South Africa. http://www.reservebank.co.za/

International Aid Flows

Aid flows to South Africa increased with the onset of democracy as donors realized the need to deal with the dire socio-economic conditions that had been faced by a large portion of the society. Countries and organizations pledged their financial support and resources towards the rebuilding and up-liftment of the South African society.

Aid has played "a significant role in many areas. It assisted in the transformation of institutions; in developing new policies; and in the implementation and delivery of services" such as healthcare and skills development (Tjønneland et al, 2003: 2).

Today, international aid (ODA) accounts for 0.3 percent of GNI and it has fallen since GNI has increased faster than the aid flow (OECD 2007). Moreover, South Africa has at present fiscal resources to manage its expenditures. The official strategy is that ODA must be used strategically and be added value to the work that is already done. Since aid is high risk money and comes with little predictability it is difficult to fully include into the national bill. One need to consider that donors can withdraw the funds that are not yet transferred anytime.

Decline in aid due to the economic downturn?

There has not been a significant cut in ODA coming in to South Africa. According to Robin Toli at the National Treasury, the partner country that so far has cut its ODA is Ireland. Due to the large economic downturn, Ireland had to cut its ODA to South Africa from 13.9 million Euro to 4 million Euros. The South African Treasury negotiated with Ireland so that this cut could be managed in the best manner. It was decided that the NGO sector was not going to be hit since the NGO sector is more vulnerable than the government. Robin Toli argues as well that there is a potential reduction with possible impact on the development agenda for health and other sectors.

Moreover, NGO programs and initiatives funded by their contra parts in Europe and USA may face difficulties when donors have to cut in their budgets. There are already some evidences of offices closing down and difficulties in receiving funds. This new situation forces NGOs to be more creative and to consider new ways of future funding sustainability (Khanya Briefing 3: Impact of the Financial Crisis).

Remittances

Remittances are when expatriate workers send money home to their country of origin. Therefore, remittances would be money sent home by South Africans working abroad or within the country, but not in their area of origin. South Africa has a more stable social and political environment and better economic opportunities than most of its African counterparts. Only 7.03% of the South African population are migrant labourers, 6.98% of the population work in destinations within Southern Africa, while 0.05% work outside South Africa, (Truen et al, 2005: p.14). Hence a large portion of remittances are likely to come from migrant workers within South Africa.

Domestic Remittances

In South Africa, within the rural areas there is a "lack of jobs and even lower level of wages" (Cadavid, 2004: p.2). It is this factor that leads to the migration towards the more lucrative areas such as mining towns and urban areas.

The greatest source of remittances comes when migrant mine workers (most of whom are male) send money to their areas of origin which are often rural areas. It would then not surprise us that "most labour migrants within South Africa are men, and the role of men as the provider of the household is an important justification for remittances" (Cadavid, 2004: 3). Another interesting fact is that 91.12% of black households receive some form of remittance (Cadavid, 2004: 4). Hence remittances are a crucial and important part in sustaining households.

The current economic recession has brought with it job losses in some of South Africa's largest industries. For instance, the mining sector, one of the greatest employers of South African migrant workers will shed an estimated 50 000 jobs in 2009, (Sishoba, 2009). This will clearly have negative socio-economic ramifications for the households that have been dependent on the domestic remittances from mineworkers.

Sectors most hit by the financial crisis

"South Africa has 1.2% of the global workforce, but 5.3% of the worlds unemployed."

Mike Schussler, economist at T-Sec (Hazelhurst, Business Report 6 May 2009)

South Africa, together with Egypt, Algeria and Nigeria, was expectedly the first to be hit by the crisis (Committee of African Finance Ministers and Central Bank Governors established to monitor the crisis 2009).

This chapter explores the mining, manufacturing, retail and agricultural sectors that are prominent sectors in the South African formal economy with regards to the global financial crisis. The South African mining industry is a "world leading supplier of a wide range of mineral products of consistently high quality" (Department of Minerals and Energy, 2009).

It also "has the world's largest reserves of chrome, gold, vanadium, manganese and PGM's (Platinum Group Minerals)" (Mbendi, 2009). The mining sector is also significant due to its contribution to export revenue. In the year 2000, "primary mineral products accounted for nearly 35% of South Africa's total export revenue" (Mbendi, 2009).

The manufacturing sector in South Africa is made up of a wide base of different industries including, "agro-processing, automotive, chemicals, ICT and electronics, metals, textiles, clothing and footwear" as well as food-processing, (SouthAfrica.info, 2009). The South African manufacturing sector became the dominating sector in South Africa's economy from the beginning of the 20th century. Prior to that, mining and agriculture had been the most productive sectors, (Country Studies: 2009). Industries within the manufacturing sector such as the automobile industry contributed 7.29% to South Africa's GDP in 2008 (Venter, 2009). Furthermore, the manufacturing sector as a whole contributed 16% to GDP in 2009 (Abedian et al, 2009: 1).

The agricultural sector is another important component of South Africa's economy. Dawie Maree, an economist with AGRI SA, highlighted that despite the fact that the South African agricultural sector only accounts for 2.9% to the GDP, it contributes greatly to the GDP indirectly via peripheral industries such as food processing. According to Statistics South Africa's Quarterly Labour Force Survey for Quarter 1, 2009, the agricultural sector is the largest employer. For quarter 1 2009, the sector employed 13 636 000 workers out of the 27 273 000 people that are employed in South Africa (Statistics South Africa (a), 2009: iv). The current economic decline and challenges facing key sectors

The prominence and dominance of these sectors in the South African economy has not spared them from the devastating effects of the current economic recession. "Mining and manufacturing were hardest hit with declines of 32.8% and 22.1% respectively" (Miningmx, 2009).

The retail sector has also not been spared, as its dependence on the disposable incomes of the population has left it vulnerable to the effects of the recession. Table 1 below shows that agriculture, mining, manufacturing and wholesale and retail trade experienced declines in their contributions to GDP. TABLE 3: GDP growth/decline in different sectors

Seasonally Adjusted and Annualised Quarterly Growth in Industries					
	2008Q1	2008Q2	2008Q3	2008Q4	2009Q1
Agriculture	25.0	16.7	31.6	16.7	-2.9
Mining	-25.8	19.2	-8.8	0.4	-32.8
Manufacturing	-0.6	14.3	-9.4	-21.8	-22.1
Electricity	-5.8	-2.1	3.0	-2.7	-7.9
Construction	13.9	9.1	15.0	10.8	9.4
Wholesale and Retail Trade	4.1	-4.0	-6.9	-0.2	-2.5
Transport	3.4	4.3	4.5	1.8	-1.8
Finance	2.6	3.3	3.2	3.0	2.3
General Government	4.6	2.5	5.2	4.5	4.1
Personal Services	4.8	4.1	6.3	2.8	3.1

Source: Oberholzer (2009)

As seen in the table, the declines in the retail, mining, manufacturing and agriculture contributed to the recently announced slump in South Africa's GDP in the first quarter of 2009. South Africa's GDP "decreased by an annualized rate of 6.4 percent compared with the fourth quarter of 2008" (Semono, 2009).

The mining and manufacturing sectors declined by 1.7% and 3.3% respectively (Statistics South Africa (b), 2009: 5). The declines of these industries combined account for a significant 4% of the 6.4% decline in GDP. As seen from the table the wholesale and retail sectors contracted by 2.5% due to a number of factors including the fall in real income growth by 1.9% as well as the fact that "household wealth, an important determinant of household spending, fell by 23% between Q2 2007 and Q4 2008"

(Botha and Standard Bank, 2009: 1). Furthermore, retail sales had a growth rate of -6.7% in April 2009 and "the outlook for the sector remains quite uncertain given the poor prognosis of the economic and financial environment" (Botha and Standard Bank, 2009: 2).

The manufacturing sector is facing a decline in output due to an overall decrease in the demand for its goods and services. Motor vehicle sales also saw a slump as they "dropped a record 43.1% in April" of this year (Wessels and Cohen, 2009). The manufacturing sector is also experiencing its "lowest manufacturing production in 5 years" as "manufacturing production eased by 1% in 2008, the worst level since 2003" (Abedian et al, 2009: 1). Table 3, also highlights the 2.9% decline in the agricultural sector. This is due to the fact that South African agricultural exports have been hit. Dawie Maree highlighted that it is agricultural exports that have been most affected due to the fact that the European Union, South Africa's largest trading partner, has been hit by the effects of the recession. The EU's reduced demand for South African goods particularly wines, deciduous fruits and luxurious commodities. However, Maree mentioned that there have not been drastic cuts in employment in the sector. The mining industry is also negatively affected by the reduced export revenue. In December 2008, mining production "declined by 5.2%" which is "the lowest level since 2000" (Abedian et al, 2009: 1). The mining industry had the greatest industry decline of 32.8%. According to Tengo Tengela of the National Union of Metalworkers (NUMSA), the automobile, and automobile components sectors are amongst the worst hit sectors. He highlighted that job losses in the automobile sector up to June 2009 amounted to 17 000. Short time layoffs have also been prevalent in the metals and engineering sectors whereby workers work for reduced periods of time and earn reduced pay. This, according to Tengela, is affecting more than 40 000 workers. Social Security and Inequality

The effects of the current financial crisis can be summarized in the quote below:

"Threats of job security, comparatively high levels of household debt and debt servicing costs, still high inflation in selected items and low levels of business and consumer confidence are seen as factors likely to impact negatively on growth for most of 2009." (Botha and Standard Bank, 2009:1).

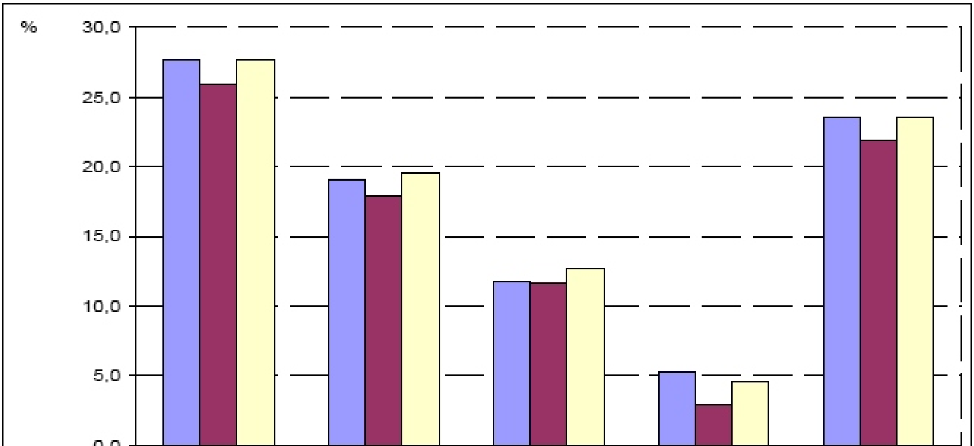
It is evident, that the current financial crisis has contributed towards the decline of key economic sectors in South Africa. According to Jonas Mosiya, COSATU Industrial Policy Co-ordinator, the financial crisis is a crisis within a crisis. He highlighted that South Africa was already facing a number of crisis including high levels of poverty, unemployment of between 23-25%, high food prices as well as the electricity crisis.

This chapter is a discussion around a number of socio-economic conditions: unemployment and inequality within the society, the informal sector, food Security, gender, reduced household savings, the Social Security Safety Nets in South Africa and social uprisings.

Unemployment and Inequality within the society There is a real concern that the economic crisis will deepen the gap between the rich and the poor. South Africa has structural problems of inequality. The gap between the rich and the poor was already huge before the crisis . It is well known that South Africa has one of the highest Gini coefficients in the world with a Gini coefficient on 0.72 (Armstrong, P et al 2008). The current reality is that poor and small scale businesses will have problem to get capital due to the fact that the banks will require more guarantees and the process will take longer. On the other hand, for those that have money investments is cheaper. Those who can afford will benefit from lower interest rates. (Moyo 2009)

Figure 2:

Unemployment by race group



	Black/African	Coloured	Indian/Asian	White	South Africa
Q1:2008	27,7	19,1	11,8	5,3	23,5
Q4:2008	25,9	17,9	11,7	3,0	21,9
Q1:2009	27,7	19,5	12,7	4,6	23,5

Source: (Statistics South Africa 2009 (a):p, ix) - Quarterly Labour Force Survey - Quarter 1, 2009

The apartheid regime heavily distorted the distribution of income in South Africa amongst different races with the white population which comprises a minority of the South African population having most of the income within the economy. Figure 2 highlights that it is the Black/African and Coloured populations that account for the highest levels of unemployment, and this will further exacerbate the racial inequalities that exist within the South African population.

Moreover, Dawie Tengela from NUMSA, highlighted that companies are making employees work on a short time basis, which will obviously mean lower incomes for workers. Hence, there is a high level of inequality in the distribution of income and expenditure of South Africa. This inequality will, most probably, be further aggravated by the current financial crisis.

Box 2 The South African informal sector -mining

The South African informal sector has been one of importance as it contributes towards economic empowerment and job creation. The informal sector is also a major employer as "approximately 22% of the employed (excluding domestic workers and agricultural employment) are engaged in informal sector activities" (Hyssop and Yu, 2006:p.4).

However, there are a variety of illegal activities which occur in the informal sector including drug dealing, prostitution and illegal mining amongst others. According to Lesiba Sishoba, the spokesperson of the National Union of Mineworkers, illegal mining is a sophisticated illegal trade. However, it is one that carries dangers with it. According to Matthew Ncube, an occupational health and safety manager with Anglo Platinum, the current economic recession will lead to increased levels of illegal mining and activities around it due to the fact that mines are retrenching high numbers of workers.

Exploitation of workers and illegal activities

In order to cut labour costs, companies will also casualize labour, that is, hire workers for a shorter period, for example on a daily basis without any formal contract or obligations. This may reduce poverty to a certain extent, but it means that workers' rights are unprotected as they are unable to join unions or seek recourse in the event their rights are violated by their employers. The wages of these casualized labourers are often extremely low and further heighten the economic inequalities within the South African society.

The exploitation of workers and labour is likely to increase as people become desperate to seek a means of survival. According to Lesiba Sishobafrom the National Union of Mineworkers, unlawful activities such as illegal mining, prostitution amongst others have already been cited as people seek to support their families. Other activities such as labour brokering will go on the rise. Labour brokering occurs when one party negotiates wages on behalf of a large group of workers with employers. Tengela highlighted that these workers normally earn a meagre R1 000 and do not qualify for labour union membership and do not fall under the protection of the law.

The Informal Sector

According to Statistic South Africa, 35.8% of the working force is in the informal sector . These people are outside the security insurance system and are at all time vulnerable. (Statistic South Africa 2008)

Many of those that lack social welfare have developed internal systems. The informal sector that operates outside the formal economy might not suffer as much of the economic crisis. They manage to survive regardless of what happens outside and use their networks for survival strategies. (Interview with Beth Chitekwe-Biti)

Moreover, there is evidence that black South African women are dominant in the informal sector and economy as compared to white women, most of who are employed within the formal sector (USAID Southern Africa, 2009:2). Furthermore, this crisis comes with new challenges on the urban poor. When the unemployment rate is increasing in the cities it is a new group of people that is coming back to poverty. The crisis hit workers whom before had a job and fed many family members in the cities.

Food Security

The food prices has started to decline in many parts of the world. Yet, South Africa is still suffering from high food prices. Although the food inflation has gone down from 14.9% in March 2009 to 12.1% in May 2009, it is still far over the South African Reserve Bank (SARB) target of inflation (Hazelhurst E. Cape Times 25 June). High inflation on food is a real threat to food security in South Africa. With a growing rate of unemployed, high food prices will deepen the effects on already poor households. The global high food prices came before the global economic crisis and have a number of causes. One emerging issue in South Africa is that the companies increase rather than decreases the prices during economic down turn. This is an essential problem for poor people. Producer prices have decreased yet the consumer prices have remained the same. Measurements that hamper the companies to use their market power need to be considered if the issue of high food prices is going to be solved.

Gender

With any economic, political or social turmoil in any society, women (and children) are the most affected. Table 4 below highlights the fact that women make up the majority of those that are unemployed in South Africa.

According to USAID Southern Africa, women undergo "many transitions in employment" and are more likely to experience "greater income level fluctuations than men" (USAID Southern Africa, 2009: 2). Despite the increased employment of women within the manufacturing sector, women still face a number of challenges. For example women's ownership of businesses in the formal sector falls behind that of men, "in the formal sector, the rate of men's business ownership is twice that of women's ownership" (USAID Southern Africa, 2009:p 2).

TABLE 4: Unemployment by Gender

Unemployed	Jan–Mar 2008	Oct–Dec 2008	Jan–Mar 2009
			Thousand
Total	**4 191**	**3 873**	**4 184**
Men	1 982	1 804	2 036
Women	2 209	2 070	2 148

Source: (Statistics South Africa 2009 (a):p, viii) - Quarterly Labour Force Survey - Quarter 1, 2009

Salaries for men and women declined in the wholesale, retail and manufacturing sectors. Moreover, skilled women have the last years been a growing part of the workforce in the manufactory sector Tengo Tengela therefore argues that the huge job losses in the manufactory sector will affect women.

Reduced Household Savings

Due to reduced income, savings are likely to fall since the income is diverted to other priorities such as food. Gerald Mashiri, an analyst with Whytehawk Development, highlights the issue that a large proportion of the population did and still does not understand the current recession and its origins. This means that people were unable to carry out the necessary measures such as reduced spending on luxury goods and reductions on debt. This situation is further worsened by the fact that South Africa has a "low savings culture" which has contributed to the country's "relatively low growth rate" (The Times, 2009). The low savings were due to a number of factors, the biggest "being the relaxation of borrowing constraints after apartheid" (The Times, 2009). The current recession will further exacerbate this situation as savings will no longer be a priority of most families.

Social Security Safety Nets in South Africa

South Africa has a robust constitution regarding Social Security Safety Nets (see Box 3).

The country has a state funded and unconditional social assistance. The Department of Social Development calculated that the system needed ZAR 124 million for 2009. A few months into 2009, the Department had to request ZAR 500 million in additional recourses to cope with the growing need due to the crisis of high food prices and the growing number of unemployed (RJ Molifi 2009).

BOX 3 From the Constitution of the Republic South Africa, 1996

"Everyone has the right to have access to social security including, if they are unable to support themselves and their dependants, appropriate social assistance" S.27 (1) (c)

"State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights" S.27(2)

Social Assistance is provided in the form of

• Older Person's Grant	ZAR 1010 per month
• Disability Grant	ZAR 1010 per month
• War Veterans Grant	ZAR 1030 per month
• Care Dependency Grant	ZAR 1010 per month
• Foster Child Grant	ZAR R680 per month
• Child Support Grant	ZAR 240 per month
• Grant-in-Aid	ZAR 240 per month

- Social Relief of Distress equal to categories as indicated above

Source: Presentation of RJ Molifi, Department of Social Development South Africa, Economic Justice Networks Workshop in Food Security, Johannesburg 30 June 2009.

Social uprisings

At present, there have been a number of strikes and marches within South Africa. There has also been an increased call for strike action by the South African labour movement to counter the effects of the recession such as job losses and the reduced purchasing power of workers. Moreover, the current socio-economic environment is also conducive to other forms of social uprisings such as xenophobic attacks. In 2008 62 people were killed in the wave of xenophobic attacks. With increased scarcity of recourses due to the economic downturn the tension between locals and foreigners may raise again (Mail and Guardian 2009). Increased unemployment give rise to illegal and dangerous means of survival include illegal mining, prostitution and crime.

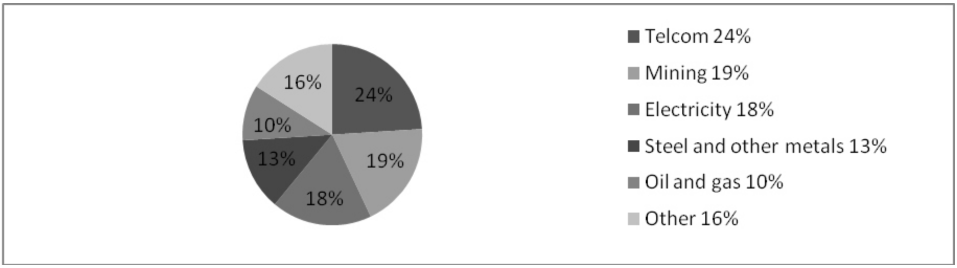
The Role of South Africa in Africa and G20

This chapter explores South Africa´s economic entrance into Africa. The idea is to broaden the picture given the fact that South Africa is so heavily important for the economic performance on the continent. It is not a comprehensive analysis. Yet it is important for the understanding of the social impact an economic downturn in South Africa might have not only within the country, but also for Africa as a whole. Moreover, South Africa has a unique position to influence the global economy as the only African country in the world economic power leadership forum - the G20.

South Africa in Africa

South Africa differs in many ways from the rest of the countries in Africa. Together with Mauritius, South Africa is a big investor in other African countries. The country´s largest trading partners are still Britain, Germany and the United States (South Africa in Africa). However, South Africa`s role within Africa has increased dramatically after the end of the Apartheid era. South African companies that are most visible around Africa include supermarkets such as Checkers, Game and Woolworth as well as banks. Yet, by far the largest part of the South African investment in Africa is within telecommunication, mining and energy (see figure 3) (Southall R. 2007: 504). This development has ensured that by 2000 South Africa had become the largest Foreign Direct Investment in Africa (Adebajo 2008).

Figure 3 South Africa´s Foreign Direct Investments into Africa by sectors



Source: Southall R. 2007 p.514

Mozambique is the largest and most important African trading partner for South Africa. It is seen as a "good" example of South African investment with the fact that 50 000 people have been employed due to investments by South African companies(Adebajo 2008).

However, South Africa`s growing entrance into Africa is not without its own problems. In many countries resistance has been strong and critical voices raised that the investors do not benefit local farmer or smallholder traders. South Africa´s upcoming competitor on the investment market in the continent is China. Already 2006 China was the third largest FDI in Africa after the US and Europe (Adebajo 2008). The same year China imported one third of its energy from Africa. China´s role in the continent in general and South Africa and in particular is not explored further in this study. Before the crisis is was to be foreseen that the telecom industry in Africa will continue to grow. This is due to that the telecom market is huge worldwide and has large potential to grow. One other reason is given the fact that many Africans still do not have a phone and would very much like to have one once one can afford to buy (Southall R.2007:p514). This issue needs further analysis in the light of the economic crisis in Africa.

Adebajo (2008) gives guideline for South Africa´s future bilateral relationship in Africa. He suggests that "South Africa should regulate its companies operating in Africa and elsewhere through an economic charter and other measures to promote good corporate behaviour and should seek to avoid accusations of exploitative behaviour such as those levelled against its companies in the DRC, Tanzania, Nigeria and Zimbabwe." These recommendations might be more important than ever given the economic crisis to reduce the social impacts in the region. This chapter shows that South Africa has a responsibility not only in its country but also for creating stability and to minimize job losses also in the region.

South Africa in G20

South Africa is the only African country in the informal but powerful G20. The mandate of this informal group, as stated on their webpage, is being a forum "that promotes open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability." The G20 includes 19 countries and the European Union. This group represent 85% of the global GDP, 80% of world trade and two thirds of world population. Although its legitimacy has been criticised, the G20 has emerged as the successor to the G8 and many are of the opinion that the G20 has more credibility to address the global financial downturn. Trevor Manuel states that the G20 should be seen as an important body towards a new coordination of the global economy.(Manuel 2009a) The expectations were high before 2 April 2009 when the G20 met in London to discuss the global financial crisis. The civil society globally called for deep reforms to international financial institutions and policies (Eurodad 2009). South Africa, as the only African country, went to the meeting with four key points: stabilizing global finance; countering the global recession; deploying resources to support demand and sustaining investment in developing countries; and laying the foundation for a sustainable recovery (Media Statement, The Presidency 2009). Before the G20 meeting in London, the African Finance Ministers came up with several recommendations for the meeting. They argued that the recent years` optimistic picture of African economy is now being undermined "by factors outside its control" . Only South Africa could represent their voice.

The communiqué from the G20 summit in London proclaim $1.1 trillion for the International Financial Institutions. US$500 billion of this money will go to the International Monetary Fund. In the press statement after the summit, South Africa "welcomes the broad display of unity and commitment" and "supports agreements reached" (Media Statement, The Presidency 2009). However, civil society has raised caution that the IMF gets a stronger mandate to resolve the financial crises due to its track record in this business, declaring that the current system has little credibility and legitimacy (Eurodad 2009).

In conclusion, South Africa, as the only African member of the exclusive G20, has a responsibility to secure that the voice of Africa people are heard in this forum. The official response to the crisis

This chapter is primarily based on the two official documents that can be seen as the basement of South Africa's response: Framework for South Africa's Response to the International Economic Crisis and State of the Nation address by President Jacob Zuma on 3 June 2009. On 26 May 2009 the National Treasury of South Africa declared that the country was in a recession for the first time since 1992. (Media Statement, The National Treasury 2009) The unions and Civil Society had warned about the effects of the global economic downturn long before and the many we spoke to during this research argue that the government realised the seriousness of the economic downturn very late. The election campaign is raised as one reason and too much trusts to the fiscal position another. In December 2008, however, the Presidential Economic Joint Working Group (that includes Labour, Business and Government) met in a forum convened by Nedlac to consider the South African response to the international economic crisis. On 19 February 2009 then came the Framework for South Africa's Response to the International Economic Crisis (hereafter referred to as the Framework).

The parties states in the Framework that a board stimulus package is needed and outline the board principles governing the response as the following:

- To avoid that poor and vulnerable people have to carry the burden of the economic downturn;
- To ensure that activities aimed to strengthen the economy to grow must as far as possible protect and support decent jobs;
- To maintain the planned high levels of investment in public sectors and promote the private sector;
- To make sure that the investments are timely, tailored and targeted as appropriated.

The Framework is a product of compromises and commitments need to be undertaken by all parties. In the consultation the parties agreed on a formation of five task teams to develop actions plans. In the State of Nation address, President Jacob Zuma reaffirmed the framework as the starting point for the government's response. (Zuma 2009). Jacob Zuma, furthermore, declares that "we must act now to minimise the impact of this downturn on those most vulnerable".

The Framework has a strong focus on creating and maintaining decent work. There are a few concrete actions with concrete figures and numbers. The biggest investment is the R787 billion that is to be provided during a three year period up to March 2012 for public infrastructure. R10 billion has been allocated to the National Jobs Initiative for a period of three years. This should, according to the Framework be led by the presidency. Moreover, it is stated that the Expanded Public Work Program (EPWP) is to distribute 4.5 million recipients between 2009 and 2014.

Regarding the emerging issue of global warming, the Framework recognises the situation as an opportunity to combat the negative effects of climate change and to create ´green jobs´. However, it is worth to mention that there is no reference to climate change/environmental friendly development in connection to the infrastructure. This would have been an advantage in the debate of global warming. The informal sector is recognised in a limited extent. The Framework does agree "to pursue the transformation of informal economy activities and its integration into the formal economy". Yet, there is nothing about the informal sector`s contribution to the economy and concrete ways of addressing the plight of all the people engaged in this sector. Moreover, the contribution of the agricultural to the economy is overlooked.

Rural development programs should include improved access to health and education and poverty alleviation according to the agreement in the Framework. However, no concrete actions are so far in place. The Framework does not have health and education as it focus. On 24 May 2009, the Department of Health declared that "The public health system in South Africa continues to function and provide health care to millions in the country despite the many challenges it is faced with." (Media Statement, Health 2009). Furthermore, in response to the families in distress, the parties in the Framework agree to a targeted Emergency Food Relief and Food for All Program. However, it is important to note that in the 2009 Budget Speech by the Minister of Finance, Trevor A Manuel, health, education and the agricultural sectors are key priority (Manual T 2009b). President Jacob Zuma, in his State of the Nation address, also promised to introduce a National Health Insurance.

It is recognised that South Africa has an African responsibility as the only African country in G20 and pursue the need for equitable and balanced model of global cooperation. Moreover, the parties state that the government should ensure that social parties are consulted for the development of their positions ahead of these kinds of global meetings. Nedlac´s role to make the voice of social parties heard is recognised. The Framework gives a strong mandate for fiscal and monetary measures and recognises the role of the South African Reserve Bank (SARB). The maneuver tool the SARB has is the interest rate. The target for inflation is 3-6 percent with current inflation is about 8.3 percent. According to Solomon Moyo, SARB should not conform to the pressures of the Labour Unions and other Organization to continue to reduce interest rates. . He argues that the economy takes about 18 to 24 months to respond to any monetary policy intervention (lag time). The decrease in interest rates could be a favourable option in the short term but in the long term it has inflationary consequences. Given that the mandate of the Reserve Bank is to maintain the value of the Rand by monitoring inflation closely, the Reserve Bank will therefore have to reduce interest rate carefully to avoid uncontrollable inflation in the future. As mentioned above inflation is already outside the target band therefore the decisions that the Reserve Bank makes now should be carefully thought through for a more favorable economy in the long term. .. Jonas Mosia, of COSATU, argues that the trade unions are of opposite opinion. They want to see a faster interest rate cut to stimulate investment.

In conclusion, the people interviewed in this research highlights two emerging questions regarding the proposed Framework outlined in the State of Nation address. Firstly, is it affordable and secondly is it going to be implemented more especially in this economic crisis. Regarding the question of affordability, the budget for 2009/10 is expected to have an estimated deficit of 8 billion. It is the implementation that worries all stakeholders interviewed. The government and the presidency need to prove its ability of action and implement the policies that are in place.

Policy Recommendations

It is important to note the difficulties to separate the effects of the global financial downturn from the poverty issues and the unemployment that already is the reality for South Africa. In line with that, policy recommendations for reducing the social impact of the global financial crisis tend to be policy recommendations for economic development and poverty reduction in general. However, urgent measures need to be taken seriously because the poverty issue is real and with an emerging increase of unemployment, South Africa will face even more serious problems.

The Government and the Presidency of South Africa

Increased unemployment is the biggest challenge for the government. A massive job loss will mean an obvious decline in the incomes of those affected and further entrench the current income inequalities that plague the South African socio-economic front.

- Most importantly for the Presidency is to address a fast implementation Framework for South Africa's Response to the International Economic Crisis. The task groups that are in place need to be taken seriously.
- At the same time, the Presidency needs to start a planning process on how to deal with the fact that many jobs will be lost when all the contractions and preparation for the FIFA world cup 2010 has been finalized.
- The South African economic policy needs to address the fact that the economy is heavily reliant on the mining sector, making it an economy dependent on a primary sector.
- All processes need to be transparent in collaboration with civil society and other stakeholders to create an inclusive process that will be implemented.Channels such as NEDLAC are a key component in the creation of truly representative economic policy.
- Coherence and cooperation between departments is crucial.
- In the light of the current global warming that will affect poor countries, it is important to rethink investments in infrastructure. It is imperative not to strengthen the dependency on fossil fuel and instead, support alternative sources for energy and transport systems.

- The government must consider the high food prices as a serious problem of poverty and implement relevant measurements.
- Development of an improved social safety net is critical at this point. Improved access to basic services will be a major and important factor in mitigating the social impact of the crisis.

Good and ethical cooperation Companies need to be a part of the solution for reducing the emerging social impacts. The important aspect to create decent work for all needs to be further explored and implemented. It is the basement of the Framework.

- Companies and the government of South Africa need to take a responsibility for good and ethical cooperation behavior to avoid exploitation both for companies operating within South Africa but equally important for South African companies operating on the continent. This includes also the issue of sustainable health and unemployment insurances also in times of economic downturns. This is significant to foster a healthy sustainable economic development that can strengthen the poverty reduction efforts on the continent. Moreover, South Africa should promote high quality and ethical products on the international market.

International Cooperation and Trade

The global downturn raises several questions regarding the donors' behaviours and particular the lack of predictability in terms of delivery of the funds. As the example in this research shows, donors can withdraw any money promised and plans are already in place for implementations. The Paris Declaration states predictability as one of the core indicators. " The international donors must understand predictability in giving funding support as an essential principle and make improvements in this regards. This includes the aid channelled through NGOs and civil society.

Moreover, the international Aid community has failed to deliver on the promised aid targets. To compromise Africa during this global economic downturn will most probably have very negative effects for development in the country.

- Donors must not go below the existing volume commitments, that is already far below what is the target for most of the countries.

South Africa as the only African country in G20 has a special responsibility to make sure that the African voices are heard in this forum.

- South Africa should further strengthen the regional integration in Africa. It is important for the continent as a whole to decrease the dependency of the European and American markets. Publicity and media on the crisis

For most people in South Africa the crisis has been an enigma.

- There is a need for an education campaign to inform the public on the current crisis and the measures that should be taken to deal with it. Campaigns that promote saving and reduced credit use should be initiated. This study raises several questions where further research is needed.

The research suggests further research on the following:

- South Africa´s and Chinas role in Africa and its impact on a sustainable development in times of global economic downturn
- The social impacts on the migrant workers living in South Africa and what it means for Southern Africa as a whole when South Africa is having a economic down turn
- The contribution of the informal sector and the informal cross borders trade to levitate poverty in times of economic crisis on the formal market.
- The consequences on NGOs as social development delivery and watchdog a reduction of funds channelled through various NGOs.

Conclusion

In conclusion, South Africa has not yet seen the entire consequences of this global financial crisis. Yet it has started to be an economic crisis in South Africa, a country that already was struggling with high inflation rates, high food prices and high unemployment rates. The large numbers of jobs that are lost are severely high. It is a tragedy at the individual level but also for the country's economic performance and ability to reduce poverty. The obvious effects of reduced incomes are falling living standards, lack of access to basic services such as health, the newly unemployed resorting to more informal (and often illegal) means of survival which open doors for further exploitation and human rights abuses. Examples of illegal and dangerous means of survival include illegal mining, prostitution and crime. Moreover, this crisis comes with new challenges.

People who have had a job, earned some money, sponsored many family members on a small salary, yet had an income, is now unemployed. It is a new group of people that is coming back to a life in poverty. The outstanding question is if South Africa is emerging a growing urban poverty and how is such trend going to be target? Furthermore, there is a real concern that the economic crisis will deepen the gap between rich and poor. With increased unemployment poverty will increase without proper measurements of social security. At the same time will those that can afford investments benefit from lower interest rates. Africa cannot mitigate global the financial crisis. South Africa needs to adapt to the new situation and reduce the effects on those most vulnerable. The key to South Africa's recovery of the effects of the South African financial crisis can be found in the Framework for South Africa's response to the international economic crisis.

This document was created in conjunction with business, labour and other stakeholders. It lays out plans such as investment in infrastructure via institutions such as the Industrial Development Corporation, increased access to social welfare. The different stakeholders have agreed upon a Framework for South Africa's Response to the International Economic Crisis and it is now up to the presidency together with the different parties to deliver.

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