Address to the Launch of the Abdul Latiff Jameel Poverty Action Laboratory

University of Cape Town

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Good evening ladies and gentlemen. It is a great honour to be asked to speak at the launch of J-PAL in South Africa. I first came across the methodology of randomised evaluations in social policy about a decade ago during my tenure as Minister of Finance. While the Abdul Latiff Jameel Poverty Action Lab is just under eight years old, our work in the Treasury on impact evaluations brought us into contact with the writings of Abhijit Banerjee and Esther Duflo more than eight years ago.

The Poverty Action Lab is a network of academics and practitioners who specialise in this methodology with the aim of evaluating and testing public policies, trying to figure out what works and drawing lessons and learnings from successful (and unsuccessful) efforts to reduce poverty and inequality and more generally, to improve the quality of public services to the poor.

South Africa's struggle against Apartheid was never a narrow nationalist struggle for self-determination. From the very beginning, the struggle was characterised by a strong commitment and determination to end apartheid so that the state could act to end poverty, reduce inequality, broaden opportunities and restore justice to society.

In 1955, the Freedom Charter stated categorically that South Africa belongs to all who live in, both black and white and that the wealth of the country should be shared by all. After the unbanning of the ANC, the ANC initiated research to understand the economy, understand the level of poverty, the drivers of poverty and explore ways of reducing poverty and inequality. Documents such as Ready to Govern and the Reconstruction and

Development Programme had strong pro-poor elements, effectively aiming to mobilise society to fight poverty and inequality.

In 1993, during discussions with a World Bank about the measurement of poverty in South Africa the ANC insisted that the results of the measurement must remain in South Africa as a resource for future generations of students. Consequently a SALDRU took responsibility for the ownership and development of that data set, and basis was developed here at the University of Cape Town to find out the extent of poverty in the country. To this day, what has become known as the SALDRU data set, a survey of 9000 households provides the democratic government a solid base for benchmarking our poverty data.

In a similar vein, the Freedom Charter and subsequently our constitution takes a view of poverty that is much broader than simply income poverty. The Constitution discusses poverty to include access to opportunities, to heal the past, remove the shadow of history that determines one's life chances. Education and human development more generally was placed at the centre of government's understanding of what it would take to fight poverty on a sustainable basis.

This deeper understanding of poverty, this multidimensional understanding of poverty is best described by Amartya Sen in the following quote:

> *The classic view that poverty is just a shortage of income may be well established in our minds, but ultimately we have to see poverty as unfreedoms of various sorts: the lack of freedom to achieve even minimally satisfactory living conditions. Low income can certainly contribute to that, but so can a number of other influences such as the lack of schools, absence of health facilities, unavailability of medicines, the subjugation of women, hazardous environmental features, and lack of jobs (something that affects more than the earning of incomes)[1].*

This description of poverty as unfreedoms is broadly what had defined our own approach to tackling poverty in South Africa. While income support has been a key pillar of our poverty reduction strategy, improving access to and quality of education and health for the poor,

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[1]   Amartya Sen (2008) A foreword in Duncan Green (2008) *From poverty to power : how active citizens and effective states can change the world*

creating an environment for low-skilled employment creation, land reform and delivering water, electricity and housing to poor communities have been, at least in our intent, key objectives of our approach in South Africa.

Ladies and gentlemen, we have not been overly successful in eradicating the unfreedoms that Sen refers to and I want to spend some time today trying to analyse why we have been less successful than our original intent suggested. In doing so, I wish to directly motivate for the approaches used by the Poverty Action Lab both here in South African and in Africa more generally to contribute to the body of evidence that can make our policies and approaches more successful.

In South Africa, in general, and there are several notable exceptions, we are failing to deliver quality services to the poorest of the poor. The effect of these failures is that while in intent, our poverty reduction strategy is multi-dimensional, in practice, it means that we overly rely on cash grants to poor households. Yes, this is better than nothing, but it does not tackle poverty in the multi-dimensional way in which Sen suggests that it is; and neither does it enable poor households to get out of poverty through employment, productivity growth or entrepreneurship.

Except for the top 20 per cent of schools by income category, our school results are poor by our own standards and abysmal by international standards. Maths and literacy scores place us about 137th out of 150 countries on a global scale. In fact, South Africa scores in the bottom quartile of performers on the African continent even though we spend almost 6 per cent of our not insubstantial GDP on education. In the past 16 years, we have increased access to education to the point where our enrolment rates compare favourably with developed countries. Female enrolment rates for under 15s is higher than for boys. We have achieved a high degree of equity in school spending, apportioning significant real increases in per capita spending on the poorest learners. We have taken on board international lessons in broadening school governing boards to all schools, increasing access to early childhood education and introducing a school feeding scheme that reaches the poorest 60 per cent of primary school learners and about 40 per cent of high school learners. We have dozens of programmes to train teachers and school principles. Despite these reforms, school performance for the poorest half of the population remains abysmal.

Why is this?

A recent study by the Human Sciences Research Council found that on an average day 12 per cent of teachers are absent and on a Monday or Friday, this number is as high as 20 per cent. In fact, an earlier study by the same organisation found that teacher – learner contact time in township schools is almost a third lower than in richer schools. That translates into almost four years of school time per learner, a staggering waste of resources.

In two school districts, one in Limpopo and one in the Western Cape, we gave grade 6 maths teachers, the grade 6 maths test. In both districts, less than half of teachers passed the test.

I should mention that in PPP terms, our teachers are amongst the best paid in the world, especially at the starting salary level.

There are several aspects of policy implementation for which we as policy makers are quite baffled and could do with the methodology of randomised evaluations. I have read several case studies from the Poverty Action Lab on experiments elsewhere to test options to raise teacher attendance and time on task. We have not tried many of these approaches and so we don't really know what works or what options can be pursued. I look forward to the work of the Poverty Action Lab in helping us to solve these problems through their particular methodology.

Ladies and gentlemen, I can talk for hours citing examples of poor service delivery or, in some cases, complete dysfunctionality in service delivery in poor communities. Most of you would know that poor service delivery almost always affects the poorest of the poor and the most marginalised.

I want to spend some time tonight going through some of the possible causes of state dysfunctionality in poor communities. I do not pretend to know the solutions to these problems. I hope that in some way, this analysis will provide at least a tentative work programme for the Poverty Action Lab.

Our analysis in the Planning Commission points to three areas of concern, in some way related areas of concern. The first is that we seem to be unable to use people's power to exert a positive influence on the performance of ground level institutions – schools, clinics,

police stations etc. Secondly, the main services where we find difficulty in are labour intensive services such as education and health. These labour intensive services also require repeated interaction with citizens and communities on an ongoing basis. Thirdly, in cases where the state outsources services or operations to third parties, we exercise poor oversight and control over these agencies or service providers.

Finding out the precise causes of the problems is never easy or straight forward. If one asks teachers or nurses in these areas what they think the causes of the problems are, they point to incompetent managers, corrupt senior officials, onerous rules and reporting requirements and the lack of resources. If one asks the managers at these institutions what they think the causes of the problems are, they point to undisciplined staff, union power that protects poorly performing staff, inadequate decision rights delegated to them and poor support from senior leaders at the head office.

It is probably true that there are elements of both ills in our public service organisations.

In exploring the causes of poor performance of public institutions in poor communities, allow me to offer a few possible options, some of which can be tested using the methodology for which J-PAL has become famous for.

The first is that in poor communities in particular, communities are not given the information that they need to make informed decisions. For example, in rich schools there is a close correlation between learners' test scores in school tests and what they score in external tests. This provides parents with the correct information about their children's performance and points to areas of weaknesses thereby empowering them to take remedial action or to take up the relevant issue with the school. In the most extreme cases, it provides information that may lead to a parent moving their child to a different school.

In poor communities, parents are consistently told that their children are doing well or at least satisfactorily when in fact, independent external tests reveal that these children are performing poorly. And so even though the legal framework exists to empower parents, if they are not given relevant information in a timely manner the legal framework is of little use. The same information lessons arise in policing where good information helps

communities to manage risks and can help communities help police in solving certain types of crimes.

The bureaucracy resists giving information to people, especially when communities have little voice and are marginalised. They cite every excuse in the book and when they are forced to provide such information, they often sabotage the collection of accurate information. While sample surveys give us an indication of the extent of the problem, they are insufficient to provide each parent or every community with the information that they need to make informed choices and to exert positive influences over public institutions.

In many health facilities, especially in poor communities, we often run out of critical medicines. The reason for this has little to do with budgets or expenditure. The major supermarket chains, based in rural areas, almost never run out of essential goods. Managing basic stock controls is not rocket science. Many private firms run sophisticated stock control systems in the retail stores of even the most rural area. We are unable to use IT system to redesign our work processes to deliver basic services to poor communities. This is not due to a lack of skills or technology. Both the skills and the technology exist but they are not used optimally and for the correct reasons.

Labour market theory suggests that in enterprises where it is easy to measure and ascribe performance, little monitoring is required and performance pay is possible. In services such as education or policing, it is difficult to measure performance and ascribe that performance to individuals. As a result, we have either minimal or weak performance pay systems. While pay in general is very high both by international standards and in relation to similar jobs in the private sector, starting salaries are particularly high and salaries for good performers are too low. Even the use of proxies for good performance or rewards to teachers with specialist subject skills in maths or science is resisted by unions. The incentive for good performers to continue performing well is low since they see no benefit in going the extra mile. Mediocrity rules and standards drop.

At the same time, we have people in middle management positions that lack experience and competence. This is due to poor selection procedures, a dearth of skills in the country and in some cases, political interference in appointments. The net effect is a bureaucracy that does not understand the needs of frontline managers and service providers. And so the refrain

from frontline workers that weak management is the cause of poor service delivery is true to a large extent.

We are reluctant to delegate management functions to line managers. A hospital manager does not have the power to hire and fire, he/she cannot decide on which service providers to use, she has little say in procurement decisions and in the allocation of resources to her institutions. So even where we do have competent frontline managers, we do not get the desired results. In the content of weak bureaucracies, this leads both to greater frustration on the frontline and significant inefficiency.

In summary, we do not have the balance between centralisation and decentralisation right to meet efficiency and effectiveness objectives.

While outsourcing is often a rational response to high costs in the public service, government often outsources its brains too. This undermines institutional capacity and government departments then lose the ability to manage outsourced service providers. Add corruption to the mix and we have massive wastage and poor services. Again, these impact more severely on poor and marginalised communities. Outsourcing only makes sense when departments have the technical competence to manage complex contracts and to hold service providers accountable for quality and cost.

Delivering quality public services to poor communities is one of our greatest challenges. It goes to the heart of a real poverty reduction strategy that looks beyond simple cash grants, notwithstanding the utility of these grants. We take these issues seriously because our view of poverty reduction is broad, we subscribe to Sen's view that unfreedoms such as poor education is what truly defines poverty.

We do not have all the answers as to why we suffer from these problems and neither do we know enough about what works and why it works. If we fail to change the quality of services delivered to the poor, we reduce the state to an ATM, only capable of handing out cash. We stand little chance of building capabilities or truly empowering people to take advantage of economic opportunities. Such a prospect would see poverty persist and inequality rise.

It is for this reason that we welcome the launch of J-PAL here in South Africa. Good evidence, good research and innovative experiments are essential to turning this situation

around. We look forward to the work of J-PAL to engaging with your experts and researchers and to your research outputs. Your work must feed into the policy processes of government at all levels of government. Evidence-based policy making is accepted practice in government and so we need the evidence to drive the necessary reforms to fix public services and the public sector at large.

Evidence based policy making helps to break the ideological silos within which we find ourselves trapped in debating how to fix public services. I am fully cognisant of the fact that all public policy or service delivery questions cannot be answered by randomised experiments. Many public policy questions take years to answer and ascribing causality is difficult. With these caveats in mind, we accept that evaluation has many tools and is an imperfect science. Yet, used sensibly, it can help unlock the solutions to some of our most basic problems and thereby eradicating the unfreedoms we have. A lack of resources is almost never the key constraint.

Part of our challenge is South Africa is to build stronger institutional links between our academic and research communities and policy-makers. In the Presidency, we have a programme that aims to build the capacity of researchers in pro-poor policy development. This programme provides grants to researchers, especially in historically black universities and to the more established researchers to mentor newer academics. We hope the J-PAL will contribute both to our general research capacity but also to build institutional links with the public sector and policy-makers in particular.

We wish the Jameel Poverty Action Lab every success, not merely as a gesture of good will but because its output is sorely needed for evidence-based policy making. We hope that demonstrate the advantages of good quality research and its impact on policy making across our country and you use this base to strengthen the capacity of researchers in South Africa and Africa.

Thank you.