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# Growth prospects of the Democratic Alliance manifesto

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May 2024

Ivo Vegter



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# 1. Introduction

In this paper, we review the election manifesto<sup>1</sup> of the Democratic Alliance (DA), published in advance of the 2024 National and Provincial Elections to be held in South Africa on 29 May 2024.

If you have read the introduction to *Growth prospects of the African National Congress manifesto*, feel free to skip to section 2, *Election prospects*.

## 1.1. Growth focus

This review will have a singular focus, because there is a singular overarching goal that any post-election public policy must achieve, and that is vigorous economic growth.

That is not to say that other objectives are not important, or not necessary. Far from it. However, the success of everything else, from reducing poverty to reconstructing failing infrastructure to improving race relations, depends upon economic growth.

Without rapid growth, South Africa will become a failed state in which factions of the wealthy elite fight each other for the opportunity to extract resources and loot dwindling wealth, trampling the shrinking middle class and growing poor masses underfoot.

With rapid economic growth, everything else – from poverty reduction to jobs growth, from education to healthcare, and from redress for past injustice to economic inclusivity – becomes possible. Without it, all other policies, however well-intended or well-crafted, will fail.

## 1.2. Dwindling wealth

The African National Congress (ANC) won a national majority in South Africa's first democratic elections in 1994 and has been the ruling party ever since.

The government embarked on expansive programmes to dismantle the legacy of apartheid, integrate education and other services, improve housing conditions, and extend access to utilities like water and electricity to those who had historically been denied it.

Monetary and fiscal discipline, and economic policies that were largely pro-market and investor-friendly, ensured that despite these expenses South Africa's per-capita GDP closely tracked the world average during the first half of its incumbency, between 1994 and 2008.

In 1994, South Africa's GDP per capita<sup>2</sup> was \$9 690, compared to a world average<sup>3</sup> of \$9 810. In 2008, they still matched, at \$13 596 for South Africa and \$13 659 for the world. Both had grown by an average of 2.6% a year.

The world average includes large, developed economies with low growth rates. South Africa was an emerging market that ought to have been growing much faster, which still puts this growth in a poor light. However, the country was more or less keeping up, and perceptible progress in the living conditions of the poor kept the electorate largely satisfied with the government's performance.

This all changed with the global financial crisis of 2007 and 2008, and the 2009 election of Jacob Zuma to the presidency of the ANC and of the country.

In 2009 the curves began to diverge sharply. While the world's GDP per capita continued to grow to \$17 523 by 2022, representing 1.9% growth per year, South Africa's GDP per capita marginally declined, to \$13 479.

This is an ongoing economic catastrophe, indicating that South Africa's anaemic economic growth is not even keeping up with population growth.

### 1.3. Implications of low growth

This means that 'a better life for all', to quote the 1994 campaign slogan of the ruling African National Congress (ANC), is not being achieved.

It means that average living conditions cannot improve. It means that the economy cannot absorb new jobseekers. It means that social welfare provisions become increasingly unaffordable. It means that civil service wage growth is unsustainable. It means that the campaign against poverty is in retreat. It means that investments earn a poor return by comparison to growth markets. It means that economic dynamism remains low, which depresses tax revenues, which curtails spending on essential services such as healthcare, education, infrastructure and policing.

As the CEO of the Institute of Race Relations (IRR), John Endres, put it in *The IRR's Blueprint for Growth*: 'The government has resigned itself to administering misery through state alms and subsidies, rather than resolving it. While paying lip service to desiring economic growth, in reality its ambitions extend no further than helping the poorest stave off total destitution by providing them with dysfunctional state services and miserly social grants.'<sup>4</sup>

He continues: 'Entirely missing is any ambition to combat poverty and defeat it decisively, rather than simply overseeing it. That is entirely unsatisfactory. The main objective of the South African government should be to eliminate poverty by increasing prosperity.'

And further: 'Contrary to the apparent belief of the ANC government, poverty cannot be defeated through redistribution. It can only be beaten by fast economic growth.'

In keeping with these observations, the manifestos of would-be governing parties, whether they expect to govern with an outright majority or as part of a coalition, should support this main objective: eliminating poverty by increasing prosperity; that is, to achieve rapid economic growth.

## 2. Election prospects

The Democratic Alliance envisions itself as the 'anchor tenant' in a coalition governed by the Multi-Party Charter (MPC).<sup>5</sup>

At the time of writing, this coalition included eleven parties, namely the Democratic Alliance, the Inkatha Freedom Party, the Freedom Front Plus, ActionSA, the African Christian Democratic Party, the United Independent Movement, the Spectrum National Party, the Independent South African National Civic Organisation, the Ekhethu People's Party, the United Christian Democratic Party and the Unemployed National Party.

Collectively, these parties occupy 112 seats out of 400 in the present Parliament, so they will be counting on a very substantial swing against the ruling party and its potential coalition partners, and in favour of the Multi-Party Charter parties.

The shared policy positions of the Multi-Party Charter are broadly consistent with those of the Democratic Alliance itself,<sup>6</sup> but voters should be aware that at least some of the commitments and proposals in the DA's election manifesto, as reviewed in this paper, may change or even fall away as a consequence of coalition negotiations before or after the elections.

It is vanishingly unlikely that the DA will win an outright majority in the national election. Pre-election polls consistently have the DA at about half the votes required, so an outright win would require an extraordinary last-minute change of heart in the electorate. It is hard to conceive of any circumstances that might bring this about.

Even the likelihood of a DA-led coalition winning the national election is very low. Although the latest tracking poll available at the time of writing, from the Social Research Foundation dated 20 April 2024,<sup>7</sup> has the ANC below 40%, the parties that could comprise a putative united opposition coalition that excludes the ANC, EFF and MK Party (i.e. the DA, IFP and *all other* parties combined) could not account for more than 40% to 42%, depending on turnout.

In the Brenthurst Foundation's latest poll,<sup>8</sup> from February 2024, the parties comprising the MPC get 33% of the vote, down from 36% in October 2023.

The most likely outcome is that the DA remains the official opposition against an ANC-led coalition.

A fourth possible outcome is that the DA chooses to avert what it describes as a 'coalition of doom' – that is, an alliance between the ANC and the Economic Freedom Fighters (EFF) – by entering into its own coalition with the ANC, or into a speculative 'government of national unity'.

If this comes to pass, the DA will be the junior partner, and its ability to deliver on at least some of its promises will depend on how shrewdly it negotiates influential positions, either in Cabinet or in Parliament.

Provincially, the DA will likely retain outright power in the Western Cape, although that is not guaranteed. If not, it will likely be able to form a ruling coalition.

It may also be able to engineer a governing coalition in Gauteng, where recent polling has it neck-and-neck with the ANC. A DA-led coalition in Kwazulu-Natal is unlikely but not out of the question, thanks to the vote split caused by Jacob Zuma's renegade MK Party.



## 3. DA Election Manifesto 2024

### 3.1. Classical liberal principles

From the outset, the DA positions itself in broad agreement with classical liberal principles of government.

*The DA has a plan to rescue South Africa from state collapse. We will start fixing what is broken in government by abolishing cadre deployment, firing corrupt officials and appointing competent people with the skills to deliver services. We will build a capable state to partner with the private sector and civil society to rescue South Africa. This ‘whole-of-society’ approach has worked in every place we already govern, and we plan to replicate it across the country to get South Africa moving in the right direction.*

*The ANC’s fixation with state control over the economy, its protection of COSATU’s vested interests, and its obsession with race-based policies, such as so-called ‘Broad-Based’ Black Economic Empowerment and race quotas, have come at the expense of the poor and the unemployed. As a result, South Africa has one of the highest unemployment rates in the world, with one-third of our working-age population out of jobs. To rescue South Africans from unemployment and get more people into jobs, we need to loosen up the labour market, upskill our workforce, and make it easier for businesses to invest in the economy.*

This is from the introduction to the party’s manifesto. It identifies the same set of obstacles to economic growth and proposes many of the remedies that the IRR has advocated in its *IRR Growth Strategy*<sup>9</sup> and its subsequent *Blueprint for Growth papers*.<sup>10</sup>

It also prioritises eradicating corruption and drawing people into the labour market as cornerstones to building an economy that is capable of renewed economic growth.

### 3.2. ‘Apex priorities’

The DA’s manifesto contains a list of seven ‘apex priorities’, which it undertakes to achieve in its first five years of governance, should it win a majority in the national election:

1. Create two million new jobs
2. End load-shedding and water-shedding
3. Halve the rate of violent crime, including murder, attempted murder, and gender-based violence
4. Abolish cadre deployment in favour of merit-based appointments and a capable state that delivers for all
5. Lift six million people out of poverty
6. Triple the number of grade four learners who can read for meaning
7. Ensure quality healthcare for all, irrespective of economic status

All these priorities are necessary in and of themselves, and most are either necessary for, or compatible with, achieving rapid economic growth led by the private sector.

They are not sufficient, however. In particular, no priority is specifically dedicated to setting an economic growth target, and the entire manifesto only uses the word ‘growth’ six times, reflecting insufficient prioritisation of this essential objective.

### **3.2.1. Create two million new jobs**

All parties promise jobs, but few deliver.

The DA’s manifesto is refreshing in that it does not propose to ‘create jobs’ by simply growing the civil service or other state-run make-work projects.

Instead, it recognises the root cause of the failure to deliver jobs: ‘The National Government’s inability to generate meaningful employment for millions more people stems from the ANC’s misguided belief that the state must exercise control over the economy. This approach has only resulted in greater dependency on a failing state, the throttling of investment, and economic misery for millions of South Africans. The ANC’s perception of the private sector as an enemy has disincentivised enterprise, innovation and, therefore, job creation.’

Its focus, therefore, is on the private sector: ‘The DA believes in building a capable state which recognises that its role is to create the conditions for private enterprise to flourish. The state’s role is to give every person the opportunities they need to participate in a growing economy, while at the same time providing a strong social welfare safety net for the most vulnerable.’

Building such a state, and creating such conditions, is a complex, multi-faceted challenge. Since this is the DA’s top priority, and its proposals are key to stimulating economic growth in general, we will spend some time considering them in detail.

#### ***Private and public-sector jobs***

The DA’s focus on the private economy is a welcome change from the prevailing orthodoxy, which considers private-sector and public-sector jobs to be functionally equivalent.

The primary purpose of jobs is not to provide an income to those performing the jobs, although that is a highly desirable side effect. The primary purpose of jobs is to be economically productive.

Productive jobs contribute to economic growth. That is, the people in those jobs produce more value than their compensation costs.

Unproductive jobs – one only has to look at South Africa’s numerous flag-wavers at road construction sites and the notion of ‘labour-intensive public works’ in general – do little to build a strong economy.

Although some state-funded jobs provide essential services upon which a private economy relies, all are a cost to the economy, and that cost ought to be minimised if the economy is to flourish.



A corollary of these observations is that productive jobs, by expanding the economy, tend to create more jobs, while unproductive jobs suck resources out of the economy and inhibit productive job creation.

In viewing job creation as the function of private enterprises, the DA implicitly recognises the important distinction between productive and unproductive jobs.

### **Youth Employment Opportunity Certificate**

The DA's headline proposal for curbing unemployment, which it calls a 'bold solution', is a Youth Employment Opportunity Certificate.

*The DA plans to create more jobs for our youth by introducing a Youth Employment Opportunity Certificate. The certificate will empower young people to break free from the constraints of the minimum wage, giving them better chances of finding jobs. The goal is to make it easier for young people aged 18 – 35 to move from not having a job to having one by offering flexible employment terms. The certificate will be valid for two years and will be implemented to give unemployed people who have not been employed for 12 months or more the right to exempt themselves from sectoral wage agreements. This policy will make it easier for employers to hire those who have been out of work for long periods of time.*

Lifting the minimum wage is an excellent idea. As the DA explains, a minimum wage makes hiring harder, and forbids people from accepting jobs that don't pay at levels agreed by unions negotiating with large corporations.

It is unclear, however, why people should suffer unemployment for a year before becoming eligible for low-wage jobs, or why they should only remain eligible for two years, or why eligibility extends only to 18-35 year olds.

It is disappointing that the DA does not propose to repeal national sectoral minimum wages altogether.

*The IRR's Blueprint for Growth* states: 'The unemployment rate cannot be meaningfully reduced without major reforms to labour regulation. The government itself acknowledges that entry-level wages are generally so high that they lock the unskilled and inexperienced out of jobs. Rules which push up labour costs – including the extension of bargaining council agreements to non-parties and the national minimum wage introduced at the start of 2019 – must be scrapped.'

It highlights the government's own hypocrisy in paying labourers employed by the Extended Public Works Programme far less than the minimum wage it expects even small private firms to pay.

A national minimum wage is one of those ideas that sounds good – especially to those presently employed in low-wage jobs – but which is morally questionable and often has negative side effects.

It essentially makes it illegal for anyone to accept a job that pays an amount lower than the minimum prescribed by government bureaucrats. It tells such people that if they cannot find a minimum-wage-paying job, it is better for them to remain unemployed and earn nothing, than to accept a lower wage.

Research on the effect of minimum wages is complicated and contradictory.

‘After many years of empirical research, studies seems to point fairly uniformly to the existence of small negative effects of higher minimum wages on employment and unemployment,’ wrote one set of researchers in 2013.

‘By and large, introducing and raising the minimum wage appears to have small negative employment impacts or no statistically significant negative impacts,’ wrote another group in 2017. ‘There are country studies, however, where substantial negative effects on employment are reported.’<sup>11</sup>

Some recent research<sup>12</sup> suggests that South Africa’s 2019 national minimum wage laws did not lead to an associated decrease in employment, but that is likely because employers have already cut the cost of labour to the bone.

It certainly did not lead to greater employment, which stands to reason. While large companies may be able to absorb legislated wage increases, albeit by raising prices, smaller enterprises, for whom each additional employee constitutes a significant cost to the company, will likely put off hiring more people as long as they can, and try to operate on as lean a staff as possible.

As the IRR’s Gabriel Crouse has pointed out, the South African government has unwisely set one of the world’s highest minimum wages – as measured against South Africa’s median wage – in an environment with one of the world’s highest unemployment rates. While there is some debate about the effects of a minimum wage set at a lower level in countries with less unemployment, there can be little doubt that in the South African context, the extraordinarily high minimum wage requirement is likely to drive up unemployment unless employers ignore it – as they are increasingly doing, which helps to explain the rapid growth in South Africa’s informal economy.<sup>13</sup> A wage is simply the price of labour. The belief that supply and demand respond to prices in everything except labour is far-fetched. Forbidding people from taking jobs that pay less than a government-determined minimum in a country with 42.4% unemployment (if you include discouraged work-seekers) is perverse.

### ***Labour-market reform***

The DA promises to reform the labour market by, inter alia, ‘[o]verhauling restrictive regulations within the Labour Relations Act that currently deter hiring and, instead, fostering an environment that promotes job creation.’

It will create a new category of apprentices for workers in training for which employees would not need to ‘comply with the same onerous labour regulations applicable to employees’.

The word ‘onerous’ in this phrase appears to be inconsistent with the undertaking to overhaul restrictive labour regulations, and while the notion of apprenticeships is a good one, it could be argued that the DA should prioritise making labour regulations less onerous in the first place.

The DA proposes to '[remove] racial targets or quotas in the Employment Equity and the Preferential Procurement Acts' and instead 'measuring progress towards achieving the [United Nations'] Sustainable Development Goals (SDGs) as an indicator of redress and development instead of using race.'

It also commits to promoting the principle of non-racialism, 'fostering an environment where meritocracy and diversity thrive'.

It proposes to replace preferential procurement with a scheme that would give preference to companies that make the most positive socio-economic impact as measured by the SDGs.

Despite reservations about using the SDGs as a benchmark – which among other things are complex, bureaucratic, and contradictory, and treat economic growth as an afterthought – the shift to non-racial objectives is welcome. That the IRR would favour a commitment to true non-racialism is, of course, a given, since that is the over-arching purpose for which the Institute was founded in 1929.

The IRR has long argued that race-based preferences in empowerment, employment and procurement have a narrow effect, largely enriching an already-empowered elite that serves as a patronage network for the ruling party, while leaving the broad masses mired in poverty.

The DA's proposal is similar to the concept of Economic Empowerment for the Disadvantaged, which the IRR proposed in a 2017 report and has since continued to develop.<sup>14</sup>

The DA also aims to '[broaden] the collective bargaining system so that it is more representative of bargaining parties'.

Under this proposal, it seeks to exclude small-, medium- and micro-enterprises from collective bargaining agreements, and further, to assert that parties that are not signatories to collective wage agreements should not be subject to those agreements.

How exactly this 'broadens' the collective bargaining system is left unexplained. Instead, it would seem that it significantly curtails the collective bargaining system, and eliminates the tremendous damage it is causing to small business success and to employment numbers.

Unions play an important role in labour relations. By freedom of association, it is entirely legitimate for workers to enter into collective bargaining agreements with company management, which acts collectively for owners and/or shareholders.

It is not legitimate, however, to extend the agreements that workers at one company reach with their management to the workers and management of other companies, so the DA's proposal in this regard deserves support.

The DA also proposes to make unions pay a deposit for damages before embarking on a legal strike. This should go some way towards reducing the extortionate power that unions sometimes wield over employers.

## **Tax system**

The DA's proposals on tax are simple: no new taxes, adjust tax brackets for inflation to avoid so-called hidden tax increases, expand the basket of items that are zero-rated for VAT purposes, and enhance the capabilities of the South African Revenue Services.

Zero-rating additional items runs against the recommendations of the Davis Tax Committee, which found that VAT exemptions benefit the rich more than the poor and are expensive.

'There is broad support in the literature,' the Davis Tax Committee report of 2018 said, 'for the view that VAT is not an appropriate tool for manipulating social behaviours or advancing equity considerations.'

It would be better to eliminate zero-ratings and spend the money directly helping the poor. A 1999 report estimated that the VAT rate could be reduced by 1.25% if the zero-rating of basic foodstuffs were withdrawn.

An earlier quotation from the manifesto (with emphasis added) deserves comment: 'Due to slow economic growth, our tax-to-GDP ratio stands at 25.5%, one of the highest rates in the world. This means we pay much higher taxes than the average of 15.3% in developed countries and 10.7% in comparable middle-income nations.'

The underlined portions are not true, and the quote is misleading. According to the IRR's Gabriel Crouse,<sup>15</sup> the DA's numbers come from the World Bank *Tax revenue* (% of GDP) publication, or an analogue, which excludes revenues from regional and local government as well as 'most social security contributions' according to the World Bank's metadata. As a result, China's most recent 'tax-revenue-to-GDP' is measured as 8%, and the US came out at 12.3%, both being less than half the total tax-to-GDP ratios in those countries. What the World Bank data shows is that South Africa tax revenues are far more centralised than average, not that they are 'much higher'.

The OECD showed that in 2023 South Africa's tax-to-GDP ratio was 27%, while the OECD average was 34.1%, and the African average was 15.6%. Immigration patterns suggest that few are moving from the high tax regions to the relatively lower tax regions.

Still, it can be argued that the commitment to raise no new taxes is inadequate and that the DA ought to have committed itself to a programme of tax cuts, for the following reason.

In *Blueprint for Growth: Slash Waste, Cut Taxes*, Crouse proposes that the decision to cut (or raise) taxes should not be determined by a minimalist (or maximalist) impulse, nor by any attempt to aim simply at the global average. Instead, quantity of government should be measured against quality of government.

As the *Blueprint* report shows, South Africa's government has moved further in the direction of more taxes for lower quality of government than any country in the world, except Lesotho, since 1996. Over time, South Africans are paying ever more money for far worse services. Crouse estimates that by eliminating the premiums paid because of race-based preferential procurement as well as slashing wasteful, fruitless and irregular expenditure that results from the confusion those premiums induce, the government could realise a 'Zondo Dividend' of an estimated R150 billion.

The first R100 billion of this dividend could be used to slash taxes. But instead of cutting tax overwhelmingly for the rich, Crouse proposes to significantly reduce VAT or the fuel levy, or both. These taxes fall on all South Africans, but hardest upon the poor, and tax relief would put a large amount of money back in their pockets where it can raise living standards and stimulate economic growth. Moreover, it would do so in a way that is both much larger and more administratively transparent than the DA's proposal to increase the number of VAT loopholes.

### **Public finances**

The DA's manifesto further seeks to stabilise public debt by imposing debt ceilings on fiscal spending, which would be a welcome restraint on public spending.

It also wishes to encourage responsible fiscal spending, enhance fiscal efficiency and instil a culture of responsibility in the financial management of the state.

This is an admirable objective, but very ambitious, given that it may well require a thorough cleanout of the civil service, which will be vehemently, and probably violently, opposed by public service unions.

The DA promises to improve state-owned enterprises (SOEs) through what it calls 'a balanced approach to privatisation'.

It does not elaborate, other than to say '[t]he goal is to make SOEs financially responsible, fostering competition and innovation'.

In principle, SOEs are rarely, if ever, 'financially responsible, fostering competition and innovation'. They simply do not have the incentives to do so. SOEs should be limited to technical public goods, in which they do not compete with the private sector and for the provision of which they do not need to make a profit (nor, ideally, operate at a loss).

It is unfortunate that the DA's manifesto does not have more to say on privatising SOEs, other than a section on private electricity generation. South Africa has a multiplicity of SOEs that either have no business being state-owned, or are failing, or both.

A more ambitious SOE privatisation programme that engaged with concerns about crony enrichment and the establishment of private cartels or monopolies would have been a welcome contribution to a manifesto that seeks to promote economic growth.

Finally, the DA seeks to 'developing a savings culture', but has very little to say about how it will achieve this. Domestic savings, however, would be a welcome part of a broader programme to improve investment in the South African economy.

### **Slash red tape**

The DA has little to say about this, beyond making the commitment to do so. Specifically, it wishes to establish 'one stop shops' for small businesses to help reduce the time and cost of starting a business.

It is not apparent that the time and cost of starting a business is a major obstacle to new business formation. There already is a 'one stop shop' for doing so, albeit online. A new company can be registered and operational in an hour, for a nominal fee.

The more difficult part is in learning how to operate a start-up business, but the DA's manifesto has little to say about this.

It also promises to make it easier for informal traders to operate 'by streamlining by-laws and regulations, expediting the licensing approval process, and assisting them to comply with health and safety standards'.

This ought to apply to all business, small and large, new and established. Red tape is a burden to business that constrains economic growth, and therefore should be minimised across the board.

### ***Export-oriented economy***

The DA's promise to develop a competitive, export-oriented economy should be welcomed. The party proposes to make infrastructure development a top priority, increase gross fixed capital formation from 14% to 30% of GDP, and harness public-private partnerships to build infrastructure projects, all in order to 'spark industrial expansion and attract investment'.

It further proposes to implement industrial and competition policy that operates across all sectors, instead of benefiting selected sectors preferentially. It commits to not 'picking winners and losers', which it says – rightly – will 'enhance competitiveness and foster a conducive business environment for enterprise to flourish'.

The IRR's *Blueprint for Growth*<sup>16</sup> also emphasises the growth and job-creation potential of export-led sectors, and in particular calls for reviving and reinvigorating mining, agriculture and tourism, all of which are capable of employing large numbers of unskilled workers.

It is admirable that the DA does not believe the government should be in the business of directing industrial development by picking winning sectors (like, say, textiles or automotive manufacturing), but the pragmatic necessity of rapidly creating jobs does call for a focus on sectors that promise substantial export growth and significant job creation.

The DA's manifesto also commits it to facilitating global trade and rejects the protectionist localisation policies of the present government, on the grounds that 'they jeopardise local businesses' competitiveness, risk international retaliation, and increase the price of goods,' which is a wholly commendable sentiment.

### ***Two million jobs***

To conclude this section, setting a target of two million new jobs over a period of five years, while welcome, is not sufficiently ambitious in the South African context.

According to Stats SA, the number of people without work has risen from 4.2m in 2008 to 7.9m in 2023, while the unemployment rate increased from 22.6% to 32.6% on the official definition.

Assuming no new entrants into the labour market, two million new jobs would whittle the unemployment rate down to about 24%, roughly where it was immediately before the pandemic of 2020.

In reality, about 3.5 million matriculants will enter the labour market during that time. Given South Africa's youth-skewed population, this influx will exceed the number of retirees that will exit the labour force.



That means that the impact of two million new jobs will be diluted, leaving the unemployment rate even higher than 24%.

While it is difficult to predict the rate of job creation by the private sector, a 24% unemployment rate would not be worth celebrating in 2029.

Disappointingly, the DA's manifesto contains only six references to the word 'growth', none of which involves a specific target. A substantially high annual GDP growth rate – at minimum 5%, and ideally 7% or 8% – is required to significantly boost employment, increase GDP per capita, relieve poverty, and raise the general standard of living in South Africa.

A 5% economic growth target, with a 7% stretch goal, would be far more impactful than simply picking a predicted number of new jobs out of thin air.

### **3.2.2. End load-shedding and water-shedding**

#### ***Electricity***

There is broad agreement with the DA that load-shedding constitutes 'the most significant threat to South Africa's social and economic stability'.

The party blames 'state-led power generation', which is subject to 'cadre deployment, chronic mismanagement, and corruption'.

The manifesto promises that a prospective DA government 'will improve the reliability of power supply by unbundling and restructuring Eskom to establish an open electricity market'.

By this, it means reducing Eskom's responsibility for power generation as far as possible, by diversifying the private generation of electricity to include private individuals, companies, independent power producers and municipalities.

The remainder of Eskom would function as a grid and electricity market operator, and would focus on upgrading, expanding and modernising transmission infrastructures.

Its 'key proposal' in this regard is to establish what it calls 'prosumers'; that is, entities that are both consumers and producers of electricity.

This policy would enable people and companies who generate their own electricity and produce more than they need to sell electricity back to the grid. The DA would, wherever it governs, provide once-off tax rebates for private solar installations and feed-in meters.

This strategy would offer a reason for people not to go off the grid entirely, and instead boost the overall electricity supply while decreasing the strain on the current grid.

The DA's manifesto also commits it to increase the use of renewable energy sources, by '[b]uilding local manufacturing capacity for renewable energy technologies without resorting to protectionist trade practices and incentivising the training and development of skills capacity in the renewable energy sector, [r]educing high tariffs on imports of renewable energy technologies (such as PV panels and other goods) to ensure that these technologies are more affordable and accessible, and committing to achieving net zero carbon emissions to reduce the impact of energy generation on the climate.'

Although the manifesto talks of ‘diversifying the energy mix’, it clearly means moving away from coal and replacing it with renewable sources, and in particular, wind and solar energy.

This approach places unnecessary restrictions on energy policy, however, and any restrictions on the development and growth of energy supplies will implicitly restrict future economic growth.

A singular focus on renewable energy has proven, in other countries, to lead to significantly higher electricity prices, with obvious implications for economic vitality and consumer prices.

The DA’s manifesto should have been much more open to developing domestic natural gas resources and new nuclear energy capacity, instead of limiting itself to renewables.

It could also be argued that providing incentives for solar power and ‘building local manufacturing capacity’ would amount to protectionist trade practices.

The commitment to achieving net zero carbon emissions should be secondary to the commitment to stimulate economic growth.

With prosperity comes improved environmental performance,<sup>17</sup> but given the precarious state of South Africa’s economy and its high rate of poverty, the priority should be with growth.

Many of the DA’s proposals on electricity are welcome and would improve the economy, but its policies come with substantive restrictions that unnecessarily limit South Africa’s economic growth potential.

## **Water**

The link between water supplies and economic growth is not quite as obvious as that between electricity and economic growth, but no economy can function well with limited or unhealthy water.

The DA’s manifesto proposes several interventions to improve public water supply, including but not limited to involving private companies in water infrastructure projects; working towards developing water-sensitive cities that seek to optimise stormwater and urban waterways for improved flood control and water reuse and developing public spaces that collect, clean and recycle water; increasing the amount and quality of wastewater that is treated and reused; considering the establishment of a dedicated grant for water infrastructure maintenance, ensuring that the funds are exclusively channelled into maintaining water infrastructure; encouraging private investment in water infrastructure projects; and fast-tracking dam and water treatment works infrastructure development and maintenance.

In addition to these, it would be desirable to see a programme to gradually replace and upgrade water reticulation infrastructure, much of which has aged well beyond its projected useful lifespan.

Although the manifesto lacks detail, the broad policy directions and the pro-market instincts it demonstrates are commendable.

### **3.2.3. Halve the rate of violent crime, including murder, attempted murder, and gender-based violence**

This is another target that is not nearly ambitious enough. Halving the murder rate of 41.9 per 100 000 inhabitants, for example, would still leave South Africa in the top 20 in the world, roughly level with Nigeria and Brazil.<sup>18</sup>

There are only eight countries in Africa with a murder rate higher than 10. The first country on that grisly list with an economy that South Africa might want to emulate is probably the United States, with a murder rate of 6.4. The world average is 5.8.

The DA does, however, correctly identify the numerous problems that beset the South African Police Service (SAPS), the National Prosecuting Authority (NPA) and the State Security Agency (SSA), these being lack of quality leadership, political interference, cadre deployment, abuse for factional party political purposes, race-based policies, institutional and capacity issues, and weak oversight.

The IRR's *Blueprint for Growth*<sup>19</sup> states that overcoming the scourge of escalating crime is essential to stimulate economic growth, since it 'mires millions of households in fear of murder, rape, assault, and theft; damages business and holds many firms to ransom; encourages yet more corruption and fraud; and promotes a flight of skills and capital'.

The DA's 'bold solution' to these problems is decentralised policing 'to competent local and provincial government while maintaining a national police force'. As a keystone policy, this is surprisingly flimsy because there are in actual fact precious few 'competent local and provincial governments'. If there were more, and if community oversight over local police forces were strengthened, decentralisation could make policing more effective and less corrupt.

As it stands, the world is littered with local police forces that are themselves a scourge on the communities they police. While DA's ongoing campaign to devolve policing powers to the Western Cape is understandable, since it can hardly do a worse job than the national SAPS, it is much harder to make a general case for the devolution of police powers in the current South African situation.

That said, the DA's other proposals on improving the police and justice systems – which span several pages and are both too long and too obliquely related to economic growth to analyse in detail here – are excellent.

### **3.2.4. Abolish cadre deployment in favour of merit-based appointments and a capable state that delivers for all**

The DA's manifesto contains the following diagnosis: 'Cadre deployment has reduced the state's ability to deliver essential services at all levels of government while enriching a politically connected elite. This practice also lies at the heart of corruption and state capture.'

The party's proposed cure is simple: 'The DA will fill all posts in the public service with the most competent and qualified individuals available, thereby establishing a non-partisan, professional public service. This will improve the state's capacity, which is foundational to securing a prosperous future for all South Africans.'

That is a wonderful ideal, but it is also a tall order, for several reasons.

No matter how much politicians might profess a civil service selection process to be strictly meritocratic, discretion plays a role at all levels – if not at the top, then certainly down the chain of command.

In removing deployed cadres, and replacing them with candidates ostensibly selected on merit, the DA will meet a great deal of resistance from public service unions.

The mere existence of better-qualified or more experienced candidates does not, in itself, constitute a sufficient reason to dismiss employees, and the DA can be sure that every dismissal will be fought, either before the Commission for Conciliation, Mediation and Arbitration (CCMA) or in the Labour Court.

If the DA's appointments turn out not to be representative either of the country's demographics, or of political party support as expressed in the national election, it will itself face allegations of 'cadre deployment'.

Either way, it could find itself buried in legal processes.

### ***Criminalising cadre deployment***

Even so, the DA has made this its 'bold solution': it will not only end cadre deployment, but it will make political interference in recruitment and selection processes a criminal offence.

This isn't in itself a bad idea, but 'political interference' is not always obvious, nor is criminal interference, against which no mere law can guard. Fighting the crime syndicates and organised gangs preying on the state will take more than merely outlawing cadre deployment.

### ***Civil service reform***

Its secondary proposals outline a process of reform entrusted to the Department of Public Service and Administration, upon the completion of which, that department will be abolished altogether.

These reforms start with rebuilding the Public Service Commission to make it a politically independent, autonomous institution that oversees and regulates merit-based recruitment and selection processes in the civil service.

It will remove powers of appointment from politicians and differentiate between the roles and responsibilities of politicians and officials.

Among the reforms are reviewing and restructuring codes of good practice, and a commitment to conducting regular lifestyle audits for politicians and officials and holding offenders swiftly accountable.

Those codes, to be effective, will have to include strict limitations, or outright prohibitions, on politicians and officials moonlighting as business owners, and strictly prohibiting them to influence any business between their family members and the government.

### **Cutting costs**

The DA's manifesto also promises to contain the high costs of government by reducing the number of ministers, deputy ministers, and ministerial offices, which would be long overdue, but easier said than done.

It would take a tremendous amount of legislative reform to do so, however, since the powers and responsibilities of numerous ministers are defined or assumed in a wide variety of legislation.

While we welcome the DA's commitments to improving the public service, its focus is consistently on the quality of service delivery. It makes no mention in this section of the fiscal implications (the 'proceeds', if you like) of reducing wastage and corruption, and mentions it elsewhere only as a potential means of accommodating continued and expanded social grant spending.

A more thorough treatment of this subject would have been welcome, since it potentially involves a huge 'Zondo Dividend' that can be applied towards tax cuts or other investments to stimulate economic growth, as discussed on page 19 ff. of Crouse's paper, *Blueprint for Growth: Slash waste, cut taxes*.<sup>20</sup>

### **3.2.5. Lift six million people out of poverty**

This section of the DA's manifesto returns to the subject of improving the potential of the economy to create jobs, and repeats some of the same proposals found in that section.

Its 'bold solution' in this section is a repeat of its earlier promise to replace race-based empowerment policies with an alternative that rewards businesses that contribute positively to the SDGs.

Again – with the reservations about the SDGs mentioned above – this idea is to be welcomed, since it bears a resemblance to the non-racial Economic Empowerment for the Disadvantaged policy proposal the IRR has had on the table since at least 2017.

### **Property rights**

This section does add some new proposals, however. It is a little disconcerting that the first mention of property rights occurs on page 33 out of 53, in discussing the fifth of seven apex priorities, but a brief mention it gets.

The manifesto rightly observes that land policies have been largely ineffective, and in particular have failed to significantly increase the number of South Africans who own the land on which they live. This makes it difficult for them to lift themselves out of poverty. The government has also proved itself to be actively hostile to private property, by contrast with which the DA has committed itself to protect property rights and expand land ownership by prioritising land reform in the budget.

It proposes strengthening land reform by relying heavily on turning unused state-owned land over to private ownership, and to improve the support available to land reform recipients.

While this commitment is commendable, it does not go nearly far enough. Property rights are not only about the land people live on. The threat to property rights in South Africa is far broader than land.

We are disappointed that the DA has made no mention of mineral rights, for example, which were expropriated more than two decades ago. Also of concern are new laws affecting water rights, agriculture, mining, oil and gas projects, the private security industry, private healthcare, the retirement and life insurance industries, and the country's intellectual property regime.<sup>21</sup> The Expropriation Bill or the abortive attempt to change section 25 of the Constitution are not the only threats to property rights in South Africa.

Secure property rights lie at the heart of an economy that is capable of vigorous growth. They are critical to attracting and nurturing investment, to creating an entrepreneur-friendly business environment, and to economic freedom in general. All of these are essential to generate the kind of economic growth that will be needed to create millions of jobs and very substantially reduce poverty levels.

### **Social grants**

Although the DA says 'there is an urgent need to grow the economy to reduce the number of South Africans reliant on grants and to increase the tax base which supports the payment of existing grants', it does not propose dramatic measures to reduce social grants.

On the contrary. It proposes to increase the child support grant by R250 per recipient to equal the official food poverty line of R760, extend the grant to pregnant mothers, add a job-seeking requirement to what is now the Social Relief of Distress grant, and make other improvements to the social grant system.

Although high social welfare spending can be a restraint on economic growth, since it redistributes wealth from the productive economy to people who are largely economically unproductive, these proposals are positive for two reasons.

The first is that poverty relief can itself be a stimulus to an economy. It increases consumer spending and puts people who face financial hardship in a better position to escape poverty and become more productive.

The second is political: it would be political suicide for a party that seeks to build support for classical liberal economic principles to begin by slashing welfare for the poor. It would also likely create substantial social instability.

For these reasons, the DA's social grant proposals are sensible and either contribute, or do not substantially detract from, the over-arching objective to stimulate rapid economic growth.



## ***Hunger and malnutrition***

The DA also includes a few proposals aimed at ameliorating the scourge of hunger and malnutrition caused by widespread poverty.

In addition to expanding the basket of VAT-exempt foods, it will also promote food gardens to empower communities to independently enhance household food security, well-being and sources of income, and rely more on so-called ‘food hubs’, which are organisations or businesses that aggregate, distribute, and market locally sourced and regionally produced foods.

It is doubtful that these interventions will have a substantial impact upon economic growth, since while they may have localised benefits, small-scale and subsistence-level farming is inherently less efficient than large-scale farming.

If these projects are able to employ and serve a substantial number of people who would otherwise be unemployed or destitute, their net benefit may indeed be positive, however.

## ***Six million?***

As with the new jobs target, there’s a case to be made that lifting six million people out of poverty in five years may not be ambitious enough.

By the DA’s own account, 18.6 million people rely on social grants – a number that excludes those receiving the Social Relief of Distress grant. About 18.2 million South Africans – almost a third of the population – live below the World Bank’s extreme poverty line of \$1.90 per day.<sup>22</sup> At last count (which was ten years ago), half of all South Africans lived below the national upper-bound poverty line.<sup>23</sup> Anecdotal and circumstantial evidence suggests that poverty has only increased in the last decade.

Given the scale of deprivation in South Africa, lifting six million people out of poverty – the DA doesn’t specify how far out of poverty – seems a modest proposal. It’s a start, but it still leaves many millions of South Africans impoverished and in dire straits.

### ***3.2.6. Triple the number of grade four learners who can read for meaning***

#### ***Basic education***

The DA’s manifesto rightly points to the fact that education policies to date have focused on expanding access to education, but neglected to improve, or even maintain, the quality of education.

This has an impact on foundational learning (as seen in the oft-quoted statistic that 81% of Grade 4 learners cannot read for meaning), which has a knock-on effect throughout a child’s basic education, contributing to poor performance and dropouts, and ultimately resulting in a dearth of matriculants who are fluent enough in basic subjects to join the workforce or progress to tertiary studies.

The DA also rightly points at the South African Democratic Teacher’s Union as a primary contributor to the dismal state of many public schools, by making it hard or impossible to hold failing teachers to account.

The DA recognises the difficulty of the challenge, especially in circumstances in which it does not lead a national majority government.

Its 'bold solution' in education reform is to focus on literacy and numeracy in the foundation classes (Grades R to 3). It will concentrate on time management, ensuring that children get adequate hours and days of education in a year, and introducing a national literacy and numeracy test at the end of the foundation phase.

It has proposed a number of interventions, the most important of which are testing teacher competence and making appointments on merit, introducing standardised tests at various levels of schooling, establishing targets for schools based on previous performance to ensure continuous improvement.

It will also introduce some oversight and evaluation measures that have met with some success in the Western Cape.

Finally, it will introduce greater curriculum diversification from Grade 9 onwards, so that learners can pursue vocational, technical, and academic education depending on their aptitudes and needs.

These interventions, at primary and secondary level, will go some way towards improving educational outcomes. That, in turn, will make school-leavers more employable and more productive, which will have a positive impact on the performance of their future employers.

All of this will eventually reflect positively in economic growth statistics.

### ***Education vouchers***

For all its positive aspects, however, the DA's proposal does not include a voucher system to fund basic education. Instead of relying on government control, oversight and evaluation, a voucher scheme harnesses market forces by allowing parents to choose where to send their children.

In this manner, successful schools will be rewarded by attract more learners, while learners can avoid failing schools. Such a system will ensure universal affordability of education, while also encouraging the private sector to become more involved in the provision of education services.

A full treatment of a voucher system for education is beyond the scope of this paper, but can be found in a recent IRR paper by Caiden Lang, entitled *Overcoming the odds: Why school vouchers would benefit poor South Africans*.<sup>24</sup>

### ***Higher education***

Under the present government, and as of 2018, students have a right to free tertiary education.<sup>25</sup>

Although the National Student Financial Aid Scheme (NSFAS) disbursed R123 billion for almost 3 million beneficiaries between 2019 and 2022,<sup>26</sup> the right to free tertiary education has not been fully realised. One estimate suggests doing so will cost an eye-watering R2.88 trillion.<sup>27</sup>

At present, the NSFAS provides students with household income below R350 000 bursaries that are not repayable. It also provides loans to students in the ‘missing middle’, from households with up to R600 000 in annual income. For those loans, students are required to achieve 60% pass marks, and can request a 50% discount on loan repayments if they achieve 70%.

The NSFAS has been mired in crisis, however. It wastes billions every year in irregular expenditure and has been unable to pay student allowances on time.

The DA’s manifesto says that the current fee-free higher education model is unsustainable.

It seeks to reform the NSFAS to provide full coverage only to those students with household income below R180 000, cover 66% of the cost of study for students from households with incomes between R180 000 and R350 000, and cover only 33% of costs for students with household income over R350 000 but below R600 000.

It is not clear whether these bursaries are to be grants or loans, although it appears the DA wants to make repayment conditional not on present household circumstances, but on future ability to pay.

High-achieving students will continue to be eligible for scholarships under the DA’s revised funding model.

The DA’s assessment that fee-free tertiary education under the current system is not sustainable is accurate.

It could be further refined by arguing that students ought to have ‘skin in the game’, in the sense that they ought to choose their study objectives with well-paying jobs in mind.

If higher education is viewed as an investment into future earning potential – because those earnings will be required to repay student loans – students are less likely to waste resources on courses of study for which there is little demand, and which contribute little to economic growth.

The DA’s proposals include ‘collaborating with the private sector for funding’, and ‘streamlining student funding to specific career fields’, but this does not go far enough.

The entire model of government-funded higher education is problematic and contributes to both waste and a misallocation of resources.

However, relying entirely upon private-sector bursaries, scholarships and loans, which would more closely match funded higher education with the economy’s needs, will be a bridge too far for any political party.

To turn back from the promise of free, government-funded higher education now would undoubtedly result in South Africa’s universities being burnt to the ground. This is an unfortunate political reality, and one that cannot be changed overnight.

Although the DA’s proposals do not go far enough to resolve the problems associated with funding higher education, they will likely improve the sustainability of government funding of tertiary education, which will have a positive impact on the ability of the sector to produce capable graduates.

The DA is also to be commended for its commitment, in its manifesto, to support technical and vocational education and skills training through schools, colleges and universities, and to support high-quality apprenticeship programmes.

A better alignment between the outcomes of the education sector and the needs of the economy can lay the foundation for future economic growth and dynamism, and the DA's proposals will go at least some way towards achieving this.

### **3.2.7. Ensure quality healthcare for all, irrespective of economic status**

The final apex priority in the DA's manifesto is focused on healthcare. Although it plays only an indirect role in stimulating economic growth, the DA's proposals are worth a brief review.

Key to the DA's proposals in this regard is a rejection of the National Health Insurance Act that the president, has recently signed.

Fundamentally, the DA considers the belief that the only way to ensure quality healthcare is by centralising all healthcare system functions to be misguided.

#### **Universal access**

The DA declares itself to be 'committed to universal access to healthcare for all citizens,' and says: 'The key to achieving this over the next five years is to make the current district management model work through governance reform. We argue that by leveraging the strengths of the private sector in partnership with the public sector, we can improve health facilities and the quality of care for all.'

For a party that claims to promote free enterprise, the DA's proposals are surprisingly interventionist in their nature, however.

The high cost of private health insurance is in large part attributable to the prescribed minimum benefits that all insurers are required to cover, and to their inability to adjust for the additional risk that late joiners with pre-existing health conditions incur.

Instead of allowing medical schemes to offer low-cost insurance options, however, the DA proposes to maintain prescribed minimum benefit packages, and ensure that no person is excluded from accessing quality healthcare or subjected to a higher premium based on their health status.

To manage such a model, the DA proposes to establish a state-owned secondary insurer, which it calls 'social reinsurance', to reduce the impact on individual insurers of insuring high-risk cases. All medical insurers would be required to be a part of this reinsurance scheme.

It further proposes a 'risk-equalisation strategy for medical schemes', which involves an a priori redistribution of funds, thereby treating all plans 'as if they are part of one large fund'. This, the manifesto claims, will '[help] prevent individual plans from favouring healthier individuals over those with higher health risks'.

Both these proposals are surprisingly supportive of heavy-handed government control.

The DA does make several good proposals that will likely improve the performance of government-run hospitals, but its approach to the private healthcare sector is mystifying.

### **Healthcare vouchers**

As with education, it is disappointing that the DA's manifesto does not include a market-based proposal such as healthcare vouchers to improve access to, and the quality of, private healthcare services in South Africa.

As Marius Roodt and Mailies Fleming wrote in a 2018 paper on the National Health Insurance scheme:<sup>28</sup>

*Greater access to private healthcare should go hand in hand with improving the public healthcare system, which can only be achieved through merit-based appointments, strict accountability for poor performance, and effective action against corruption and wasteful spending. Access to private healthcare can be expanded by allowing low-cost medical schemes and primary health insurance policies. Poor households should be helped to join these schemes or buy these policies through tax-funded health vouchers. To help spread risks, medical scheme membership and/or health insurance cover should be mandatory for all employees, with premiums for lower-paid employees buttressed by employer contributions for which businesses would garner tax credits. Medical schemes and health insurers would then have to compete for the custom of South Africans, which would encourage innovation and help to hold down costs.*

Quality universal healthcare is, ipso facto, conducive to higher economic growth, since a healthier population is a more productive population. Efficient healthcare is, likewise, positive for economic growth, since it minimises the cost base of the economy.

A more market-oriented healthcare system, in which the private healthcare system is substantially deregulated, can also contribute directly to economic growth, by making the market more efficient and profitable. A successful private healthcare sector also serves to reduce the burden of public healthcare on the fiscus.

It is unclear how the DA's proposals concerning private healthcare will achieve these outcomes, however.

Inasmuch as the proposals in the DA's manifesto will improve government healthcare services, they should be commended. On private healthcare, the DA should be doing better, however.

## 4. Conclusion

Overall, the manifesto of the Democratic Alliance for the National and Provincial Elections of 2024 is a fairly growth-friendly document, that will – if implemented – achieve significant improvements in South Africa’s economic performance.

It does not strongly prioritise economic growth in and of itself, however, and this lack of focus leads to several oversights.

In particular, the DA missed a trick by not proposing voucher systems to fund private sector service provision to the poor, especially in the areas of education and healthcare. Its ideas in this regard are largely unoriginal and do not go far enough to systemically reverse the crises in which these sectors find themselves.

Many of the DA’s proposals will prove to be easier said than done.

Rooting out corruption and reforming the civil service will meet with powerful resistance not only from unions, but also from the criminal syndicates whose sources of taxpayer-funded revenue will dry up.

The same goes for privatising some state-owned enterprises and reforming the rest.

Reforming higher education funding will likewise meet with resistance, and students have already demonstrated their vandalistic tendencies when things do not go their way.

Labour market reforms will also provoke powerful unions with a demonstrated ability to bring the country to its knees, with violence, if necessary.

These objections and caveats aside, the broad thrust of the DA’s manifesto is consistent with classical liberal principles, and much of it agrees, loosely speaking, with the problems and proposed solutions identified by the IRR in a series of papers focused on the economic growth prospects of South Africa.

Despite a few notable lapses, the DA’s manifesto contains a wealth of good intentions and ideas. The party’s economic policy instincts generally distrust government control and embrace free enterprise and the power of markets.

This is to be commended and bodes well for the economic growth prospects of South Africa under any future government in which the DA might play an influential role.



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