



The IRR's Blueprint for Growth :

Breaking the BEE Barrier to Growth

October 2026
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Introduction

Trenchant public criticisms of black economic empowerment (BEE) persisted in 2026. Again, much of the focus was on the heavy costs of BEE and the narrow ambit of its benefits – which go primarily to a small and often politically connected black elite. Fewer commentators pointed out that BEE not only bypasses the black majority, but actively harms it. However, most ordinary South Africans seem well aware that BEE does little, if anything, to help them get ahead. Most black South Africans would thus like key elements of BEE to be terminated. This was evident once again in opinion polls conducted for both the South Institute of Race Relations (IRR) and the Social Research Foundation (SRF), as outlined in due course.

The Government of National Unity (GNU) – which the African National Congress (ANC) continues to dominate – rejected these criticisms of BEE. It also brushed aside the continued poor performance of the economy and the urgent need to free it from the BEE leg iron. Instead, the ANC effectively doubled down on BEE in different spheres. Despite strong objections from the Democratic Alliance (DA), the second biggest party in the GNU, the ANC continued implementing the damaging racial “targets” (quotas in all but name) which the minister of employment and labour had laid down in April 2025 under the amended Employment Equity (EE) Act of 1998.

The ANC also sought to tighten up already onerous BEE preferential procurement requirements in both the public and the private sectors. One key objective was to introduce a “Transformation Fund” which would give the state control over the private sector’s significant BEE contributions to the development of black businesses. Another was to adopt new rules reserving numerous procurement contracts for companies that are 100% black-owned. If this last change is introduced, it will mark a fundamental change from the 25% black ownership target initially set in 2007 under the BEE “generic” codes (which apply throughout the economy) and often echoed in various BEE “sector” codes. That the initial 25% target would increase over time was foreseeable from the start. That it would rise as high as 100% was less apparent – if only because this would contradict the ANC’s insistence on “demographic representivity” in all spheres.

The alleged “norm” of demographic representivity

BEE rules – whether in requiring “employment equity” in the workplace or compliance with the five elements in the BEE generic codes¹ – are premised on the assumption that demographic representivity is the “norm” in all racially and ethnically mixed societies. Under this alleged “norm,” every group is expected to fan out into the economy in keeping with its share of the total population. If the representation of any group falls below its share, then unfair discrimination is said to be the reason and racial targets are regarded as the remedy.

In 1998 Firoz Cachalia, then an ANC office-bearer in Gauteng and now the acting police minister, summed up the “norm” in the employment context, saying: “Since ability is randomly distributed among the entire population, black and white South Africans should be represented in the workforce according to their share of the overall population.



If whites instead consistently outnumber blacks in management, skilled jobs, and the professions, then for those who reject the idea of superior and inferior races, the only explanation is that white dominance is the result of racial discrimination.”²

Cachalia’s argument presumes that black South Africans – who make up 81% of the “economically active population”³ – ought also to:

- occupy at least 81% of all jobs from board level down;
- have an 81% ownership stake in all companies; and
- secure at least 81% of the annual procurement contracts entered into by state entities and many businesses.

However, these levels of black representation cannot easily be attained because the presumed “norm” overlooks a host of important variables in age, experience, education and skills. Such factors are important in practice and must be taken into account.

The economically active population (“EAP”) is defined as including all those people between the ages of 15 and 64 who work or wish to do so. It thus includes many black South Africans who are young, poorly schooled and often inexperienced. The relevant statistics are telling.

South Africa’s black population is a youthful one: so much so that 62% of black South Africans are currently under the age of 35.⁴ Individuals in this age group lack the experience needed for senior posts, corporate ownership, or complex procurement contracts. In addition, some 47% of black people are unemployed (on a broad definition that takes account of those not actively seeking work),⁵ which further limits their workplace experience. Sadly, only 36% of black people over the age of 20 have a matric or National Senior Certificate.⁶ Moreover, many of those who pass matric with the required average mark of 35% are still functionally illiterate and innumerate when they leave school. At the same time, only 5.8% of black South Africans have the university degrees generally required or advisable for management and professional positions.⁷ These factors explain why BEE targets approaching, and sometimes exceeding 81%, are difficult to fulfil if experience, know-how and efficiency are to be maintained.

Similar differences in relevant variables are also evident in other racially and ethnically mixed countries (though often to a lesser extent). This explains why the supposed “norm” of demographic representivity has never been found to exist in any such state, despite assiduous endeavours to detect it. The supposed norm is in fact nothing but a myth. It has nevertheless been sedulously promoted and popularised by the ANC (and many other left-leaning organisations in Western democracies) for more than six decades.

South Africa’s BEE requirements thus have a flawed foundation. They also lend themselves to abuse by a politically connected black elite. Since BEE targets are based on race, rather than poverty, this small elite is able to use its racial identity and proximity to power to garner almost all the benefits of BEE. By contrast, most ordinary black South Africans have little if any chance of ever benefiting from BEE deals, BEE management posts, and BEE procurement contracts. They do, however, suffer significant harm from the heavy compliance and other economic costs of BEE – which deter investment, limit growth and worsen unemployment.

Telling criticisms of BEE

In March 2026, Professor William Gumede of Wits University, a long-standing critic of BEE, pointed out that some “forty-six largely politically connected individuals had secured 60% of all the...BEE [deals] in mining, becoming billionaires or multimillionaires overnight.” This was apparent from a 2015 research report drawn up for the Chamber of Mines (now the Minerals Council South Africa) but never publicly released, and now in his possession.⁸

The 2015 report focused on whether the mining industry had fully complied by 2014 with its BEE ownership target of 26%. (This target was set in the 2004 mining charter developed under the Mineral and Petroleum Resources Development Act (MPRDA) of 2002.) The report found that BEE ownership had in fact risen to 38% in general and estimated the net value redistributed via BEE deals at between R155bn and R282bn.⁹ The report also showed that 60% of this net value had been distributed to “a minimum of 46” BEE entrepreneurs. By contrast, 29% had gone to “a minimum of 6.9 million” community members and 11% had been distributed to “a minimum of 200,000 employees.”¹⁰

Having carefully analysed these figures, veteran journalist William Saunderson-Meyer concluded: “On the report’s R155bn–R282bn valuation range, the 60% distributed to the 46 ‘entrepreneurs’ represents an average, on paper, of R2.02bn–R3.68bn each. The 29% attributed to...community structures works out – if evenly shared – at R6,514–R11,852 a head. The 11% attributed to employees works out at R81,190–R147,714 each. Put differently, the average entrepreneur allocation was about 310,000 times the average community allocation and about 25,000 times the average employee allocation.”¹¹

The report confirmed what many critics of BEE had long said: that almost all the benefits of race-based preferences go to a small and politically connected black elite. Some other black people may notch up limited gains, but the great majority of black South Africans get nothing at all. Worse still, most black people are actively harmed by BEE (whether in mining or elsewhere) because it deters investment, limits growth, curtails employment – and has helped to render some 8.5 million South Africans jobless and largely destitute.¹²

BEE has other economic costs as well, Gumede notes. BEE ownership deals have allocated scarce capital to the racial redistribution of shares, rather than the creation of productive assets. Employment equity (EE) rules in the public sector have so eroded essential skills as to make most municipalities and other state entities dysfunctional. BEE in public procurement has often resulted in grossly inflated prices in state tenders and encouraged rampant corruption.¹³

Sometimes, BEE’s adverse outcomes have also put people’s lives and health at risk. In the water sector, for example, says Gumede, “tenderpreneur Edwin Sodi’s Blackhead Consulting... received a contract to upgrade the Rooiwal wastewater in Tshwane in 2023, but failed to do the work, which contributed to a deadly cholera outbreak in 2023 that killed 29 people.” At Tembisa hospital, “BEE tenderpreneurs secured R4bn in contracts corruptly – and delivered very little,”¹⁴ which undermined health services.

Beyond the wasted revenues and the service delivery failures, the further adverse consequences are also severe. Writes Gumede:¹⁵

BEE...has focused on giving slices of white companies to politically connected non-whites [and] has collapsed both black and white legitimate businesses which are not politically connected. [These companies] have lost out on new or existing contracts [to] instant political capitalist companies, [which] take...state contracts or licences. [This] has stifled black entrepreneurship.

[BEE] has created a culture of using political connectedness, rather than merit or ability, to generate wealth or entrepreneurship. It has encouraged the proliferation of middle-men and women who [serve as] connectors to government and private sector deals.

[BEE] has fostered a South African societal culture where hard work [and] entrepreneurship are not valued, because all one needs is connectedness to ANC...leaders to secure government contracts or BEE shareholdings in private companies. No society can foster economic growth, [or] tackle poverty and unemployment, without a merit-based culture [in which] hard work and entrepreneurship [are] valued. [BEE] has decimated the productive capacity of the South African economy [and] accelerated [its] de-industrialisation.

BEE also generates high compliance costs, but these are difficult to quantify in the absence of authoritative data. In 2026, Donald MacKay (CEO of XA Global Trade Advisors) and Daan Steenkamp (CEO of Codera Analytics and a research fellow with the Economics Department at Stellenbosch University) sought to fill the gap by surveying the views of 126 companies. The firms canvassed ranged from small, single owner businesses to large enterprises with revenue exceeding R1bn. The resulting research report was published in June 2026.¹⁶

According to this report, more than a third of the 126 firms surveyed had made no attempt to comply with BEE. Often, this was because they disagreed with the policy or thought it was “too costly to comply with or would hold no benefits.” Others said it did not apply to them or that “their firm was too small.”¹⁷

Among the firms that did comply, costs varied enormously. For small firms with black founders, there were no initial set-up or advisory fees. For other businesses, however, initial set-up costs for median firms in different compliance categories “ranged from R160,000-R650,000 in 2025 rand terms.” Here, “the median ratio of [set-up] costs to annual turnover ranged [from] 0.4% [to] 4%.”¹⁸

Ongoing compliance costs were also often high because companies must comply with five different elements of BEE, including “skills development, enterprise and supplier development, and socioeconomic development.” In addition, since BEE entrepreneurs generally lack the capital to pay for BEE deals, companies must frequently provide this via “vendor financing.” Accreditation costs are relevant too and include advisory fees, along with “internal administration and staff time, systems and software, external verification...fees, [and various] legal and valuation fees.”¹⁹

Ongoing compliance costs among the firms surveyed thus ranged from “R225,000–R2.5m a year, depending on turnover and specific compliance choices.” As a proportion of annual turnover, compliance costs ranged from 1% to 1.5%. As a proportion of profits, they ranged from “6.25%–32% of net profit after tax across firms of different levels.”²⁰

The study examined whether BEE compliance brought compensatory benefits by increasing growth opportunities or generating more employment and investment. Here, more than two thirds of firms said BEE compliance had made little difference to their growth prospects. Their chances of expanding were unlikely to change, regardless of whether their BEE scores improved or dipped, they said.

As regards employment, “only 4% of firms reported that [BEE] had increased net employment, [while] 35% reported lower net employment.” As for investment, “almost 50% of firms reported reduced reinvestment, [while] more than 40% reported having reduced new investment as a consequence of BEE regulations.” By contrast, “4% reported increased reinvestment and less than 2% reported increased new investments.”

Commented MacKay and Steenkamp: “Our estimates suggest that compliance costs are so large as to make compliance either infeasible or economically irrational if shareholders are not black. While phased share allocations or staged broad-based BEE investments could provide some offset, these regulations have ongoing impacts on firms’ cash positions and ability to accumulate retained earnings for growth. We [also] observe this in the data: the average formal business in South Africa has declined in size by more than 80% since democracy. Discouraging growth weighs on productivity and efficiency by reducing economies of scale and inhibiting job creation. This is the opposite of what South Africa needs to drive faster and more inclusive economic growth.”²¹

Tightening up BEE requirements

Despite these cogent criticisms of BEE, the ANC remains intent on tightening up its race-based system. Stricter racial targets, laid down by regulation under an amended EE Act, were brought into force on 15 April 2025. Major changes to BEE procurement rules, introduced under the Public Procurement (PP) Act of 2024, were set to be taken further under draft regulations gazetted for public comment in 2026. These BEE changes are currently on hold, but this is only because the Constitutional Court struck down the PP Act in September 2026 for inadequate public participation in the legislative process.²² Draft regulations aimed at introducing a Transformation Fund and further tightening up BEE procurement obligations in the private sector were also put forward for public comment and may still be adopted.

Racial targets under the EE Act

In *public sector entities*, which have long been under predominantly ANC control, the supposed “norm” of demographic representivity has largely been reached. This is despite the youthfulness of the black population and the failure of the education system to equip many black South Africans with adequate skills. Many of the people appointed thus lack necessary competencies, but have nevertheless been placed in their positions to help fulfil racial targets.



According to the July 2026 report of the Commission for Employment Equity, a monitoring body established under the EE Act, black people (excluding Coloured and Indian individuals) hold 67.3% of top management posts in all government jobs. They also hold 76% of senior management positions and 75% of professionally qualified posts. (Coloured people and Indians hold 15.5% of top management posts in the public sector, as well as 13.4% of both senior management and professionally qualified posts.)²³

The people appointed to these demanding positions are often ANC cadres selected for their political loyalties rather than their skills and experience. Their deployment has helped the ANC implement its 1998 *Cadre Policy and Deployment Strategy*, which seeks to “win hegemony” for the ANC in all “key centres of power.”²⁴ The ANC’s desire to dominate has been allowed to trump all other considerations, including the merit principle and the importance of effective public service delivery.²⁵ This has resulted in crippling losses in experience and institutional memory. It also explains why public infrastructure and state services have largely collapsed after 32 years of ANC rule.

In the private sector, “designated employers” (of 50 people or more) are required to make “reasonable progress” towards demographic representivity at all levels, from top management down. This wording initially gave business some discretion as to how fast to proceed towards the supposed “norm” of demographic representivity, but that flexibility has gradually been whittled away.

Initially, this was done under the BEE Act and its generic codes of good BEE practice, which took effect in 2008. Though BEE is supposed to be voluntary, the targets in the generic codes are in practice binding on companies that need state permits to operate or want to sell goods and services to the government. Companies in this position must generally comply with the EE targets set out in the “management control” element of the BEE generic codes. These require 60% black representation at the senior management level, 75% among middle managers and 88% for junior managers.²⁶ These targets overlook the age and skills profile of the black population.

The next major change came in 2023, when the EE Act was amended to empower the minister of employment and labour to introduce regulations specifying the targets that all businesses employing 50 people or more must reach. The minister’s current Regulations, which took effect in April 2025, apply to 18 specified sectors. In each sector, the minister has stipulated what proportions of “designated” (that is, black, female and disabled) people are required at different levels of the workforce within five years.²⁷ (In this context, “black” includes African, Coloured and Indian people.) Progress towards these overall five-year targets must be demonstrated in every year, according to the Commission for Employment Equity (CEE) in its 2025/2026 report.²⁸

Some examples of the targets set by the minister are worth noting. The financial and insurance activities sector, for example, must fulfil a 95.6% target for black, female and disabled people at the skilled/technical level within five years. This confines permitted white representation at that level to 4.4%. At the top management level, the minister’s targets are 63.1% for black, female and disabled people and 36.9% for whites.²⁹ Though these targets are less onerous, they nevertheless assume levels of skill and expertise among black South Africans that poor schooling, high joblessness and limited workplace experience have made difficult to attain. They also ignore the overall skills shortage and the importance of using all the skills the country has, rather than excluding some of them for racial reasons.

In the human health and social work activities sector, to take another example, the minister's targets range from 95.9% for black, female and disabled people at the skilled/technical level to 71.3% for such individuals at the top management level. Within the water supply and sewerage activities sector, targets for black, female and disabled people are again 95.9% at the skilled/technical level – and a particularly unrealistic 85.5% for top management.³⁰ These targets again ignore the age and skills profiles of black South Africans, as well as a major shortage of experienced black engineers.

Though unrealistic EE targets have effectively crippled state delivery, similar targets are now being imposed on business too. Yet the private sector has no tax revenues to fall back on as its competitiveness declines. Large companies may be able to shoulder the burden, but smaller ones will find it hard to survive – especially in a largely stagnant economy beset by many other obstacles to growth. In addition, all firms have reason to fear the penalties for non-compliance laid down in the EE Act. Maximum fines start at 2% of annual turnover (not annual profit) for a first failure to meet EE targets without adequate justification. Repeat offences of this kind are punishable by fines of up to 10% of annual turnover. Fines of this magnitude could bankrupt many companies.³¹

The minister's onerous racial targets may, however, be struck down by the courts if various legal challenges succeed. The DA is contesting the procedural validity of the Employment Equity Amendment Act of 2023, saying it was wrongly tagged as an ordinary statute rather than as one affecting the provinces. The party has also challenged the content of the Act, saying it gives the minister excessive discretionary power and introduces rigid quotas rather than flexible targets.³²

Two organisations representing businesses, the National Employers' Association of South Africa (NEASA) and Sakeliga (an organisation primarily representing Afrikaner businesses) sought an urgent interim interdict preventing the Regulations from taking effect in 2025. They argued that the Regulations were so harmful – in terms of their “compliance costs, business planning risks, and investment deterrence” – that their introduction should be delayed until the constitutionality of the 2023 Act had been decided. However, the Pretoria High Court declined to grant the interim interdict sought, while subsequent appeals to the Supreme Court of Appeal and the Constitutional Court were dismissed with costs.³³

NEASA and Sakeliga's challenge to the constitutionality of the 2023 Act is now proceeding.³⁴ So too are challenges mounted by the Solidarity trade union,³⁵ by Business Unity South Africa (BUSA),³⁶ and by the Security Association of South Africa. (This last organisation is contesting the validity of the targets set in a single sector: the “administrative and support activities” one.)³⁷

Racial targets in public and private procurement

Preferential procurement rules rely on racial targets and other mechanisms to help black businesses gain procurement contracts in both the public and the private sectors.

Preferential public procurement

In the public sector, the Preferential Public Procurement Framework Act of 2000 (PPPFA) allows black firms to charge higher prices than their competitors and still win state tenders. The price inflation – or price “premium” – permitted is officially capped at 25% for contracts valued at R50m or less and at 11.1% for contracts above that. In practice, however, BEE price inflation often far exceeds the permitted levels. To name but one example, BEE companies with indirect links to Deputy President Alex Mashatile reportedly charged R91m for fire suppression systems supplied to Gauteng hospitals, even though the quoted price was R49m (as News24.com reported in 2025).³⁸

Senior officials in the National Treasury have at times warned against the overall costs of inflated pricing to the fiscus. In October 2016, the Treasury’s chief procurement officer, Kenneth Brown, said that between 30% and 40% of the state’s annual procurement budget (then worth R600bn) was being lost to “fraud and inflated prices”.³⁹ In August 2018, his acting successor, Willie Mathebula, told the Zondo commission of inquiry into state capture that “the government’s procurement system was deliberately not followed in at least 50% of all tenders”. Moreover, once the normal rules had been bypassed, “a contract which started at R4m was soon sitting at R200m”. This had enormous ramifications, Mathebula warned, for the government was “the biggest procurer of goods and services, spending [at that time] an estimated R800bn a year”.⁴⁰

The government’s procurement budget has since risen to some R1.2-trillion, while BEE premiums on market prices have increased too. The Treasury has nevertheless failed to report the amount of revenue being wasted each year on authorised and illegal BEE premiums in public procurement. The IRR estimates the current total at R150bn a year.⁴¹ The cumulative cost to the fiscus over decades has thus been enormous.

BEE premiums would have risen even higher under the Public Procurement Act of 2024, had this statute not been struck down by the Constitutional Court. The PP Act would have repealed and replaced the PPPFA, thereby removing its stated limits on BEE premiums, as earlier described. Often, moreover, the PP Act would have required state entities to set aside public tenders for a wide range of BEE beneficiaries, including black youth, black military veterans and black people living in “particular geographical areas.”⁴² Where these set asides applied, experienced businesses with proven capacities for cost-effective delivery would have been barred from tendering at all. Now that the PP Act has been struck down, the PPPFA – with its (often ignored) limits on price inflation – will continue to apply.⁴³

Preferential private procurement

In the private sector, the “preferential procurement” element of BEE is contained in the 2013 generic codes of good practice, which took effect in 2015.⁴⁴ These codes require “larger enterprises” (companies with annual turnover of R50 million or more) to buy 80% of the goods and services they need each year from firms with good BEE scores. However, fulfilling this 80% target is only the start of what is required. In addition, 40% (or half of this 80%) must be procured from “51% black-owned” suppliers, another 12% (of the 80%) must come from suppliers that are “30% black women-owned,” and other sub-targets apply.⁴⁵

Also relevant is the “supplier and enterprise development” element in the 2013 codes. This element requires larger enterprises to contribute 2% of net profit after tax (NPAT) to the development of BEE suppliers forming part of their supply chains, plus another 1% of NPAT to BEE enterprises operating outside them.⁴⁶ All the BEE suppliers supported in these ways must be “at least 51% black-owned or at least 51% black women-owned”.⁴⁷ In practice, much of the most valuable mentoring and other help goes to black entities included in company supply chains. Here, ongoing relationships help companies identify needs and provide a direct line of sight over how contributions are being used.

In January 2026, however, the minister of trade, industry and competition, Parks Tau, gazetted a number of proposed amendments to the current generic codes. The draft codes aim to establish a state-controlled Transformation Fund, to which larger enterprises may be required to commit 3% of NPAT.⁴⁸

As the IRR points out, Minister Tau has “encouraged businesses to believe they will have a choice between maintaining their existing enterprise and supplier development (ESD) contributions or directing them to the fund instead. However, the wording of the draft codes tells a different story. The language used indicates that large enterprises will have to obtain subminimum scores on all *four* components of this element: on preferential procurement, supplier development, enterprise development and *also* on contributions to the fund, if they want to avoid being penalised.”⁴⁹

Minister Tau claims that pooling of billions of rands in a state-controlled fund will have greater impact and prove more effective in helping black businesses. However, various commentators are concerned that funding decisions will become more opaque. In addition, the centralisation being proposed will cut many fledgling BEE firms off from the vital mentoring and other help that large companies now provide to them.⁵⁰

The draft codes also seek to ratchet up procurement rules in other ways. As the IRR explains:

Under the current BEE rules large enterprises can earn a significant number of procurement points by buying from suppliers that are 51% black-owned or 30% black women-owned. Under the proposed rules the targets shift sharply towards 100% black ownership and 100% black women-ownership. The subminimum scores needed to avoid penalties also rise.

In practice, this means that companies — including SOEs such as Eskom and Transnet, with their already costly and often inefficient delivery — will have to restructure their supply chains to buy more goods and services from 100% black-owned suppliers.

This will not be easy. Poor schooling, low growth, overregulation and state inefficiency have long impeded the development of successful black-owned businesses. Forcing companies to procure from an insufficient, inexperienced and often inefficient supply base risks raising costs, reducing quality and creating new opportunities for fronting and corruption.⁵¹

Racial targets regarding ownership

The ownership element in the BEE generic codes requires companies to have 25% BEE ownership. Other sector codes either echo this target or set higher ones, with 30% required in the construction and telecommunication sectors, for example.⁵² Since BEE investors generally lack capital, vendor companies must often help finance ownership deals. They must also ensure that 40% of the required BEE shareholding vests immediately in black investors, free from debt. In practice, this often requires a 40% discount on share prices.⁵³

In 2007, the National Empowerment Fund (NEF), a government vehicle set up in 1998 to help fund ownership transactions, estimated that between R770bn and R2 trillion would be needed to fund the BEE ownership deals required by the codes for companies listed on the Johannesburg Stock Exchange (JSE). This estimate was a conservative one, as it excluded the likely costs of the BEE deals that unlisted companies would also need to do.⁵⁴

Ownership deals bring other economic costs too. This is partly because most BEE investors (as the NEF acknowledged in 2007) have “a limited knowledge of industry,...a lack of management experience, and...a lack of bankable business plans.”⁵⁵ In addition, BEE ownership requirements damage the entire economy by deterring the foreign direct investment (FDI) vital to increased growth and employment.

Peter Bruce, a former editor of *Business Day* and the *Financial Mail*, points out that countries across the world are constantly competing for the capital of prospective direct investors. South Africa, however, is at a considerable disadvantage here. Not only is it plagued by crime and “rotten governance” but it also expects prospective investors to “offer 30% of any incoming investment...to black investors”. Comments Bruce: “I can’t prove that BEE and the 30% requirement are a barrier, but can anyone explain what the attractions might be of surrendering 30% of your investment in SA before you even start doing business here? What’s the investment case for that requirement?”⁵⁶

A 25% or 30% ownership requirement is thus already highly damaging. Raising the target to the 51% level already often required – let alone the 100% level mooted in Tau’s draft codes – will make it even more difficult to attract the direct fixed investment the country so badly needs. Yet already the fixed investment rate has declined to 13.9% of GDP. This is almost half the global average of 26% of GDP and well below the 30% level the National Development Plan recommended back in 2012.⁵⁷

In addition, all larger businesses in South Africa have now been given notice that BEE ownership requirements are likely to keep escalating all the way up to the 100% level, regardless of how impractical and harmful this might be. This realisation could greatly damage business confidence. It also means that most foreign corporations will automatically reject South Africa as a fixed investment destination without any further consideration.

Shifting from BEE to Economic Empowerment for the Disadvantaged (EED)

As criticisms of BEE have mounted, proponents of the policy have begun to acknowledge that its practical outcomes have disappointed. Many have nevertheless claimed that BEE must be retained because there is no credible alternative to it. That claim is false. The IRR has for many years been developing such an alternative, which it calls Economic Empowerment for the Disadvantaged (or EED).

The EED alternative has three core features. First, it is race-neutral, which means it targets the poor and its benefits cannot be captured by the black elite. Second, it promotes investment, growth and employment, which are the essential foundations for upward mobility. Third, it reaches right down right down to the grassroots by providing millions of disadvantaged South Africans with the tangible support they need to foster self-reliance and help them get ahead.

A non-racial focus

BEE's racial targets undermine the dignity of all South Africans by treating their racial identity as more important than their unique talents and efforts. They also require the continued classification of all South Africans into essentially the same racial categories as were contained in the Population Registration Act of 1950. Since that statute was repealed in 1991, race classification should have ended more than 35 years ago. Instead, race-based BEE has resuscitated an odious system of racial tagging that was rightly condemned across the country and the world.

BEE's race classifications are not only repugnant but also unnecessary. Disadvantage is the issue that needs to be addressed. Disadvantage can also be identified directly, via a means test, without using race as a proxy for it.

A scorecard promoting investment, growth and employment

BEE scorecards in the generic and sector codes disregard all that the private sector contributes to investment, growth, employment, export earnings, innovation and tax revenues. Yet these are the contributions most essential to increased prosperity and upward mobility. Hence, they need to be taken into account.

EED would replace all current BEE scorecards with a new one giving companies EED voluntary points for:

- Maintaining or expanding production and/or sales;
- Sustaining or increasing operating profits;
- Retaining or expanding jobs;
- Sustaining or increasing fixed investment;
- Helping to attract foreign investment into South Africa;
- Contributing to tax revenues either directly or via the taxes paid by employees;
- Helping to generate export earnings;



- Funding research and development (R&D) or otherwise contributing to innovation;
- Providing skills training for all staff; and
- Employing and promoting people on an expanded concept of merit, which takes account of how individuals have countered adversity.

This EED scorecard would be easy to complete, as businesses must in any event keep track of the issues that it covers. Companies choosing to report on their EED contributions would not be rewarded with preferential access to state permits or public tenders, which must always be awarded on qualification, capacity to deliver and other objective criteria. Rather, companies would gain greater recognition and more standing in society for their contributions to the prosperity and upward mobility of all South Africans.

The EED scorecard would also give businesses the option of contributing to the third element in EED: the tax-funded voucher system outlined below. Companies could choose to top up the vouchers of the rural poor, for example, or to donate to a general top-up fund. Such contributions would give firms additional EED points. They would also identify them as particularly responsible corporate citizens helping to expand opportunities for those most in need.

The voucher element in EED

EED would reach down to the grassroots by equipping the poor with the sound schooling, housing and healthcare they need to help them get ahead. In the 2026/27 financial year, some R696bn has been budgeted for these vital services, which is a considerable sum.⁵⁸ However, the state's centralised and top-down delivery system is so mismanaged and inefficient that outcomes in all three spheres are often extraordinarily poor.

As regards schooling, roughly 81% of South Africa's Grade 4 pupils cannot read for meaning in any language, while 61% of Grade 5 pupils are unable to add and subtract whole numbers.⁵⁹ Not surprisingly, more than half of all pupils – 579,500 in 2025 alone⁶⁰ – thus drop out of school or fail their final examinations.⁶¹ In the housing sphere, millions of small and badly built “RDP houses” (named after the Reconstruction and Development Programme) have been provided at considerable cost, but the housing backlog (at 2.6 million units)⁶² is bigger now than it was in 1994 (1.5 million). In public healthcare, almost 80% of state hospitals and clinics are so poorly managed that they cannot comply with minimum healthcare standards, even on such basics as hygiene and the availability of medicines.⁶³

EED recognises that current budgets in these spheres cannot be increased significantly. Rather, with public debt exceeding 77% of GDP,⁶⁴ the key need is to get far more bang for every tax buck. This can be done by redirecting much of the revenue now being badly spent by bureaucrats into tax-funded school, housing, and health vouchers for the poor. Low-income households empowered in this way would have real choices available to them. Schools and other entities would also have to compete for their custom, which would help to keep prices down and push quality up.

South Africans strongly support the voucher idea, as IRR opinion polls over several years have consistently shown. In 2016 some 85% of black respondents expressed support for school vouchers, while 83% endorsed both healthcare and housing vouchers. In addition, 74% of black respondents said these vouchers would be more effective than BEE in helping them to get ahead.



Subsequent IRR polling on these issues has repeatedly shown the same pattern, with at least 80% of black respondents supporting school, health and housing vouchers. In 2024, some 92% of South Africans favoured school vouchers, 83% supported health ones, and 80% endorsed housing vouchers. Asked if vouchers would be more effective in helping them than BEE, 81% answered “Yes” and 12% “No.” (The remaining 7% were undecided or uncertain.)

School vouchers

Poorly performing public schools in South Africa and elsewhere

In 2025 the National Senior Certificate (NSC) pass rate in South Africa was 88%. Though this suggests that schooling is working well, the figure conceals a high drop-out rate and many other shortcomings. The “real” pass rate was far lower, as the 656,400 pupils who passed their NSC exams in 2025 made up only 53% of the roughly 1.23 million pupils who had enrolled in Grade 1 in 2014.⁶⁵

International assessments of the quality of South Africa’s schooling system are generally dismal. In 2021, the Progress in International Reading Literacy Study (PIRLS) found that 81% of Grade 4s in South Africa could not read for meaning in any language. It also found that the percentage of Grade 4 pupils who could not read at all had doubled from 13% in 2016 to 27% in 2021.⁶⁶ These outcomes placed the country last among 50 participating nations.⁶⁷

South African pupils also do badly on the Trends in International Mathematics and Science Study (TIMSS). In 2023 South Africa came last among the 64 developed nations evaluated, even though it had entered Grade 5 and 9 pupils for a test aimed at grades 4 and 8. South Africa’s overall scores in maths (362) and science (308) were far below the international average. They compared particularly poorly with those notched up by Singapore, the best performing country, which scored 615 points for Grade 4 maths and 607 for Grade 4 science.⁶⁸

Public schooling in many other countries is similarly flawed. In 2019, a research report by the Institute of Economic Affairs in the United Kingdom (UK) found that public schools in developing countries are commonly plagued by “teacher absenteeism, bureaucratic corruption, and a lack of accountability to parents”. Developed countries have better education infrastructure and less corruption, but they are also “marred by problems of bureaucracy and the influence of special interest groups, such as teachers’ unions”.⁶⁹

These problems have arisen, writes David Boaz, a former executive vice president of the Cato Institute in Washington DC, because public schooling has largely become a top-down state monopoly. This is “centrally directed and bureaucratically managed” and “has little use for competition or market incentives.”⁷⁰ The contrast between a state monopoly and competitive private provision is stark, as Boaz notes:

In the private sector, firms must attract voluntary customers or they fail; and if they fail, investors lose their money, and managers and employees lose their jobs. The possibility of failure, therefore, is a powerful incentive to find out what customers want and to deliver it efficiently. But in the government sector, failures are not punished, they are rewarded. If a government agency is set up to deal with a problem and the problem gets worse, the agency is rewarded with more money and more staff – because, after all, its task is now bigger.⁷¹



In a state-run system, schools become inflexible and increasingly set in their bureaucratic ways. Adds Boaz: “A successful principal doesn’t get a raise; an unsuccessful one doesn’t get fired. The public school system poorly serves almost everyone: students are denied access to a high-quality education; parents are treated as nuisances...; good teachers are loaded down with bureaucratic red tape and paperwork and denied the chance to be creative...; principals are told to carry out the instructions laid down by a centralized bureaucracy; and the whole country suffers because students leave school uneducated.”⁷²

The growth of low-cost private schools

Because the quality of public schooling is generally poor – and especially so in developing countries – millions of poor parents have been voting with their children’s feet by taking them out of free but dysfunctional state schools and sending them to low-cost private schools instead. These schools have become ubiquitous in India, sub-Saharan Africa and elsewhere, and are often located in the shantytowns and slums where the poorest people live.⁷³ Most of these schools focus strongly on affordability, taking care to keep their fees at levels which the destitute – even those living in extreme poverty on US\$1.25 a day – can pay.⁷⁴

Despite their limited resources, low-cost private schools generally notch up significantly better academic results than public ones.⁷⁵ This is largely because classes are smaller, teachers work harder, and principals have the power to hire and fire. Private schools offer many other benefits too, including effective discipline and an emphasis on hard work, honesty, and self-reliance.⁷⁶

Some of these private schools are “non-profit” ones run by non-governmental organisations or religious institutions. However, the great majority are “for-profit” entities, which are owned and managed by “edupreneurs” seeking to meet a vital societal need and to make a living for themselves.⁷⁷ Most of these schools succeed in generating small profits, which are often ploughed back into improvements. This makes them self-sustaining and frees them having to obtain external grants or donations to survive.⁷⁸

James Tooley, vice chancellor of the University of Buckingham in the UK,⁷⁹ has comprehensively investigated the growth of low-cost private schooling in 22 countries across four continents.⁸⁰ In his most recent book, *Really Good Schools*, published in 2021, Tooley notes that India alone has some 450,000 low-cost private schools teaching about 92 million children, most of whom (some 60 million) are in urban areas.⁸¹

Low-cost private schools are also found in Pakistan, Indonesia, and the Philippines, as well as in Brazil, Chile, Guatemala, Honduras, and Peru.⁸² In Sub-Saharan Africa, which is less well researched, various studies put the number of children attending low-cost private schools at 74 million.⁸³ Low-cost private schools are particularly common in Lagos (Nigeria), Nairobi (Kenya), Accra (Ghana), and Kampala (Uganda), where some 84% of children in poor areas are enrolled at private schools.⁸⁴ Even in conflict-ridden Liberia, Sierra Leone, and South Sudan, Professor Tooley found that affordable, “low-cost private schools were serving the majority of poor children, who outperformed those in public schools”.⁸⁵

Low-cost private schools have also been expanding in South Africa. In 2025, according to official statistics, the country had some 2,510 private or “independent” schools attended by some 756,600 pupils.⁸⁶ Since 2000, the number of private schools has increased by 158% while the number of pupils attending them has risen by close on 200%.⁸⁷ Many of these private schools charge middling or low fees.

Though private schools have grown strongly since 2000, their pupil numbers are only a small fraction (close on 6%) of the 12.8 million learners attending South Africa’s 22,260 public schools.⁸⁸ However, since some 80% of these public schools are dysfunctional, many parents would prefer to send their children to private schools with better teaching, discipline, safety and academic results. Yet even low-cost private schools are beyond the means of millions of unemployed and poor parents. By contrast, if tax-funded schooling vouchers were to be provided to low-income families, as part of the shift from BEE to EED, then private schooling would become affordable to them as well.

School vouchers for choice and competition

The school voucher idea is a simple one. Instead of funding public schools directly – and maintaining that funding irrespective of how poorly schools perform – the government works out the per capita amount it is spending on children in low-income families and allocates that amount to each child’s parents. As Professor Tooley writes: “Parents choose a school for their child, and the funding goes with the child to the school of their choice.” Schools use this funding to pay their operating costs, including teacher salaries. “In the competitive market for schools that results, popular schools attract more children... Importantly, schools become accountable to parents,” who can take their offspring elsewhere if dissatisfied. The introduction of vouchers thus “spurs competition and innovation in schooling, leading to great improvements.” Dysfunctional state schools also come under pressure to retain their pupils, prompting them to improve their performance.⁸⁹

If vouchers were introduced in South Africa, many parents would have many more options available to them. Some might choose fee-paying state schools (mainly former Model-C ones) that at present perform well. Some might decide to send their children to private schools run for profit. Others might prefer private schools run by non-profit organisations or religious institutions. Many more could take advantage of the innovative “blended” teaching – a mix of online and in person tuition – being offered at some low-cost private schools. In these schools, writes teacher and education expert Michael Caplan, pupils using affordable devices “work at their own pace through online courses with explanatory notes, videos, quizzes, and formative tasks” – and are attaining significantly better pass rates in English and maths than their counterparts in public schools.⁹⁰

Public schools which fail to improve their performance would be abandoned by voucher-bearing parents and forced to shut down. Their buildings could then be auctioned to independent schools, which would refurbish and re-open them. However, dysfunctional state schools would want to avoid this outcome, so teachers and principals would put great effort into improving their performance.⁹¹ (This is illustrated by recent experience in Kerala in India, where a shift from public to private schools – driven by rising wages and foreign remittances – encouraged public schools facing closure to take effective steps to improve.)⁹² The competition generated by vouchers would thus improve the quality of both public and private schools in South Africa.

School vouchers in international experience

School vouchers have a long history. One of the first voucher schemes was introduced in the Netherlands in 1917, while in Denmark vouchers and school choice go back to 1849. The Czech Republic introduced vouchers for private schools after the disbandment of the Soviet Union in 1991. A year later, in 1992, Sweden implemented a nationwide school choice and voucher programme, under which parents can choose between public and private schools, all of which receive equal per-student funding from the government.⁹³ Vouchers are also available in Bangladesh, Chile, Colombia, Estonia, Guatemala, India and the state of Punjab in Pakistan.

India has the largest school voucher system in the world. This was introduced under the Right to Free and Compulsory Education Act of 2009, which requires all private primary schools to set aside a quarter of their places for disadvantaged students: those belonging to a lower caste or falling below a specified poverty line. Schools are prohibited from opting out of the programme and from charging any additional fees. For each voucher student, the government pays schools their tuition fees up to a voucher cap equal to the per-child cost in public schools.⁹⁴ This programme has helped expand enrolments in private schools, improve grade point averages, shorten distances travelled, and reduce spending on education for poor families.⁹⁵

Chile's voucher scheme, introduced in 1981, is a universal one under which public funds follow all pupils to the public or private schools of their choice. In 2008, a further reform introduced higher-value vouchers for families with lower incomes, along with additional financial support for schools with a higher proportion of low-income pupils.⁹⁶ Significant gains in national test scores were recorded and have become stronger over time, as Alejandra Mizala and Florencia Torche noted in a 2017 study. This analysis found “a positive and significant effect of the means-tested voucher policy on Math and Language achievement. The effect was much larger among private-voucher schools serving poor children, and it increased over the years after the policy change, suggesting that schools require some time to realize the benefits of the policy.” The further implication was that “moving from a flat to a means-tested voucher improves achievement and equality.”⁹⁷

According to EdChoice, a United States (US) non-profit foundation committed to expanding school choice, another study in Chile found that: “On net, the voucher reforms increased primary school graduation rates by 0.6 percentage points, high school graduation rates by 3.6 percent, college-going rates by 3.1 percent and the percent[age] completing at least four years of college by 1.8 percent for individuals exposed to the reform during their entire schooling career.”⁹⁸

Colombia has “one of the largest voucher programs in the world [and] awards vouchers by random assignment,” as EdChoice reports. This programme has also been effective in “improving student achievement and attainment.” According to a study by economists from the Massachusetts Institute of Technology (MIT) and Harvard University, “vouchers increased high school graduation rates by five to seven percentage points, compared to a baseline graduation rate of 25 percent to 30 percent.”⁹⁹



The benefits of school vouchers are also evident in [Pakistan](#). Here, says EdChoice, “a study on the effects of the Education Voucher Scheme... found that the voucher students, all of whom came from disadvantaged backgrounds, generally showed equal levels of academic success as the students who came from middle-income groups. Considering the large disparity between these two groups the ‘catch-up rate’ [was] impressive.” The voucher programme also “brought back some 20–25 percent of drop-out students,” helping to solve a major problem.¹⁰⁰

Considerable school choice is on offer in the [European Union](#) (EU), where many pupils attend private schools partially funded by governments.¹⁰¹ In 2010, a comparative assessment by Harvard Graduate School of Education Assistant Professor Martin West and University of Munich Professor Ludger Woessmann used data from the Programme for International Student Assessment (PISA) to analyse “the mathematical, scientific, and reading literacy” of nearly 220,000 students in 29 OECD countries”.¹⁰² Their study found that “students in countries with higher proportions of children enrolled in private schools scored higher on internationally comparable exams”. Stated Professors West and Woessmann: ¹⁰³

Our results suggest that students in public schools profit nearly as much from increased private school competition as do a nation’s students as a whole. Competition from private schools improves student achievement, and appears to do so for public school as well as private school students. And it produces these benefits while decreasing the total resources devoted to education, as measured by cumulative educational spending per pupil.

In the [US](#), voucher and other school-choice programmes have grown significantly since the start of the Covid-19 lockdown in 2020. According to EdChoice (in its 2026 report on *The ABCs of School Choice* in the US), school choice programmes – based either on vouchers or on similar educational scholarships and tax credits – have been introduced in 34 states (along with Washington DC and Puerto Rico) and reach approximately 1.5 million pupils. Nineteen of these states (plus Puerto Rico) offer school choice to all their K-12 students under “universal access” programmes.¹⁰⁴

In 2025 the US Congress introduced the first federal school voucher-style programme by enacting the Educational Choice for Children Act. This is not a direct voucher scheme, but it can clearly be used (says Professor West, now Henry Lee Shattuck Professor of Education and Academic Dean at Harvard Graduate School of Education) to “support private school choice – and that’s what makes it significant.” Adds Professor West: “It really does have the potential to turbocharge the movement to expand private school choice in the United States, which already had significant momentum at the state level.”¹⁰⁵

The federal programme is a “tax-credit” one, under which individuals can receive up to \$1,700 in credits for donating to non-profit scholarship-granting organisations (SGOs). SGOs use these donations to provide scholarships of various kinds (for tuition, tutoring, and transportation, for example) to students attending private, public, charter, or religious schools.¹⁰⁶

The programme is set to begin in 2027. Initially, eligibility will be confined to families with household income of “up to 300% of their area’s median income.” According to Professor West, this is “a pretty generous cap,” so “a large majority of families will be eligible.” However, states will not be compelled to participate. “Rather, the governor in each state will decide whether to opt in.”¹⁰⁷

Vouchers remain particularly popular among black American families, who have used them since the 1990s – when the Milwaukee Parental Choice Program gained momentum – to remove their children from bad inner-city schools and enrol them in better-quality suburban ones.¹⁰⁸ One recent opinion poll indicates that 79% of black families approve of school vouchers, while another puts support for school vouchers among black Americans at 74%.¹⁰⁹ In 2019, the Cato Institute found that 69% of black Americans supported school vouchers, as did 73% of people with annual incomes below \$20,000.¹¹⁰ In addition, a poll by RealClear Opinion Research in 2023 found that “the concept of school choice enjoyed overwhelming support (71% vs 13% opposed).” Support was highest (at 73%) among black voters – and was almost as high (at 71%) among Hispanic and white voters and also (at 70%) among Asian ones.¹¹¹

Housing vouchers

In 1994, South Africa’s housing backlog stood at 1.5 million units, prompting the ANC government to promise the delivery of a million “free” houses within five years. By 2023/24, according to official figures, the government had provided very much more: some 3.5 million houses and flats, along with close on 1.4 million serviced sites.¹¹² This should have been more than enough to meet the housing needs of all low-income South Africans. Instead, the housing backlog, at 2.6 million units in 2025, was far larger than it had been in 1994. In addition, the number of informal settlements had increased from 300 in 1994 to more than 3,200 in 2022.¹¹³

Housing policy

Given the scale of the housing need in 1994, the government’s initial focus was on “breadth” (helping as many people as possible) rather than “depth” (providing better houses to fewer people). Poor families with a monthly income below R3,500 were thus to be provided with secure tenure, a serviced site, and a small “starter” home which they could extend and improve over time. These Reconstruction and Development (“RDP”) houses were to be financed via a state subsidy of R12,500 per household, which had to cover land and services as well as a top structure. RDP houses, at some 25m² on average, were thus far smaller than the four-room dwellings the National Party government had earlier provided in many townships and were often derided as “dog kennels”.¹¹⁴

In response to mounting dissatisfaction, the National Housing Act of 1997 gave provincial administrations the task of approving housing projects, contracting with construction firms, overseeing projects, and administering the subsidy system.¹¹⁵ However, BEE preferences in procurement soon resulted in inflated pricing, corruption, and defective delivery. Said Frank Chikane, a former director-general in the presidency, in 2010:

The government wanted to help the poor to get a roof over their heads because these people did not have money... But [some contractors] just used their blackness and political influence to get contracts which they could not execute. The worst were prepared to bribe their way through. Many houses were built. Some were of good quality, but many were falling apart. Some had cracks. Others were leaking... Some, like in Orange Farm, [an informal settlement] outside Johannesburg, were built on a flood plain... In some houses [there], water dammed up so much that holes had to be opened to let the water flow through... The worse cases were houses reported as built and paid for when they did not exist. The [contractors] had just stolen the money.¹¹⁶

Such BEE abuses added to other frustrations. People living in informal settlements were generally moved out of their shacks to new “greenfield” sites on the peripheries of cities and towns, where land was cheaper but jobs were few and transport costs were high. In addition, the RDP houses provided were tiny, often shoddily built, and had a uniform design that beneficiaries were powerless to influence. People often said that they could build bigger and better houses for themselves if the housing subsidy was given directly to them, rather than the state’s building contractors.¹¹⁷

In time, persistent dissatisfaction prompted the adoption in 2004 of a revised housing policy called *Breaking New Ground (BNG)*. BNG houses were bigger (at 40 m²), divided into four separate rooms, and funded by bigger, inflation-linked subsidies. They were supposed to be built on well-located land and accompanied by facilities such as schools, clinics, community halls and informal training facilities.¹¹⁸ Often, however, these promises remained unmet.

By 2014 the value of the individual subsidies paid to contractors for the building of BNG houses had risen to some R160,500 for the top structure alone, without land or title.¹¹⁹ By then, the government had spent a total of some R125bn (in 2010 prices) on housing delivery over two decades, but dissatisfaction over housing quality remained high. In addition, the housing backlog was already much bigger (at 2.1 million units) than it had been in 1994, while the pace of provision had sharply slowed.

Slower delivery was a significant factor in the rising housing backlog. However, the main reason for it lay in the content of government policy. This encouraged households to break themselves up into smaller units in the expectation that each new unit would become entitled to a “free” house from the state. This “entitlement syndrome,” as housing officials called it, made it impossible for the government to overcome the housing backlog.¹²⁰

In addition, South Africa was still largely ignoring housing lessons from elsewhere. By the end of the 1960s, various developing countries had realised that housing delivery by the state was frequently sub-standard and ineffective in meeting people’s needs. It was also often plagued by corruption, both in construction contracts and in the allocation of new houses.¹²¹

A shift to housing vouchers in many countries

In the 1970s several developing countries began moving away from the state delivery model. Their revised objective was rather to provide tax-funded housing vouchers or housing subsidies directly to poor families, to enable them to build, buy, improve, or rent the homes of their choice. Chile was the first to adopt this approach – initially with a focus solely on new housing – and soon became its primary exemplar.¹²²

Similar policies have since been adopted by Brazil, Colombia, Costa Rica, Ecuador, India, Mexico, and Panama. Sometimes, as in Chile, the state requires poor families to use their own savings to supplement tax-funded subsidies. However, not all countries insist on this. Rather, most countries encourage families to supplement state subsidies via mortgage and other loans, as Chile does too.¹²³

When Chile introduced its housing subsidy system in 1977, its objective was not only to increase effective demand for housing but also to encourage savings and an element of self-reliance. Another important goal was to “mak[e] the rules for allocating subsidies transparent, [so that] opportunities for corruption and political favouritism would be reduced.”¹²⁴



Chile's housing subsidy programme has notched up significant successes in reducing the proportion of households with no or sub-standard housing. The proportion of households lacking adequate housing fell from 23% in 1992 to 10% in 2011 and declined further to 7.5% in 2024.¹²⁵ Since then, that proportion has fallen again to some 6.5% in 2026.¹²⁶

The country's housing subsidies have evolved considerably over time. Whereas subsidies were initially confined to the building of new homes – which contributed to urban sprawl as land for new developments was cheapest on the outskirts of towns and cities – they can also now be used to buy existing houses or to improve the homes that families already own. Rent-to-buy subsidies are available too for buyers who put down partial deposits and then pay off outstanding balances (partly in the form of rent) until they can afford to complete their purchases.¹²⁷

The Solidarity Housing Choice Fund Program is particularly valuable to the poorest 40% of families. These households are not obliged to obtain mortgage finance or any other bank loan. Instead, they must pay the equivalent of some USD \$400–\$450 into a housing savings account before applying for a subsidy generally worth between USD\$32,000 to \$50,000. This sum allows good quality construction, often in well-connected urban areas. Families incur no debt and contribute only their initial housing savings. Between 2022 and 2026 (in the first four years of an Emergency Housing Plan that has now been extended to 2029), some 97,510 homes were provided with the help of this subsidy.¹²⁸

For decades India provided capital subsidies to state administrations, municipalities and parastatal housing boards to help them provide low-cost housing in urban areas. In 2008, however, India embarked on its first demand-side intervention by providing a mortgage subsidy to the poor. This Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) offered a 5% interest subsidy on home loans of up to Rs 1 lakh (100,000 rupees) to low-income urban families.¹²⁹

This subsidy was increased over time, while the next major step came in 2015 with the introduction of the Pradhan Mantri Awas Yojana-Urban (PMAY-U) or “Housing for All” scheme. Under this, the government increased the maximum value of the interest subsidy to Rs 2.67 lakh (267,000 rupees). It also began calculating the lump-sum value of the subsidy over the likely loan period and paying the total amount upfront to the relevant bank, up to the Rs 2.67 lakh limit. This immediately reduced the outstanding loan amount, the monthly payments needing to be made, and the overall interest burden.¹³⁰

A modified PMAY-U 2.0 scheme was introduced in 2024. Under this, the maximum value of the interest subsidy has been reduced to Rs 1.8 lakh (180,000 Rupees), to be paid in equal tranches over five years. This is intended to spread the benefits of the scheme to “1 crore” (ten million) additional urban families and prevent the rapid flipping of houses financed with the help of the subsidy. The total permissible loan size was raised to Rs 25 lakh or 2,500,000 rupees.¹³¹

The PMAY-U 2.0 scheme, like its predecessor, includes a subsidy paid directly to individuals.¹³² Under this Beneficiary Led Construction option, as the *Times of India* reports, “the government will give Rs 2.5 lakh (250,000 Rupees) per house so that the beneficiary can build a house or expand [an] existing kutcha or semi-pucca house.”¹³³ (A “kutcha” house is a non-durable dwelling built from mud, unburnt bricks, wood, bamboo, or corrugated iron. A “pucca” house – of the kind the scheme seeks to provide – is one built entirely with strong materials such as cement, concrete, steel, stone and fired bricks. A “semi-pucca” house is a hybrid dwelling with both durable and non-durable elements: for example, a house with stone walls but a bamboo roof.)

In July 2026 the Ministry of Housing and Urban Affairs set out some of the progress made. Under the PMAY-U and PMAY-U 2.0 schemes, 9.1 million houses had been completed, it said. In addition, 12.77 million houses had been approved, while construction had begun on 12.1 million homes.¹³⁴

In the US, by contrast, housing vouchers were introduced in 1974 to facilitate the renting, rather than the purchase, of homes. However, this has since been changed, which means that the tax-funded Housing Choice Voucher scheme can now also be used to help buy houses.¹³⁵ In 2025 these vouchers went to some 2.3 million low-income families in many different states.¹³⁶

The US voucher system has been described as “a proven solution,” which has “reduced homelessness, housing instability and overcrowding.” Because the vouchers cover a substantial portion of rental or mortgage spending, they allow families to allocate more of their income to health and other needs. They have also empowered many households to move to higher-income neighbourhoods with better schools and less crime, which in turn has helped improve college attendance and earnings potential. However, funding is limited, so waiting times in many states are long.¹³⁷ Other constraints, say analysts at the Turner Center for Housing Innovation at the University of California (Berkeley), include “local rents exceeding voucher payment standards” and difficulties in “recruiting and retaining landlords willing to rent to voucher holders.”¹³⁸

Persistently slow progress in South Africa

Despite the lessons from abroad, South Africa continues to focus primarily on new housing delivery by the state, with two-thirds of the budget allocated to this intervention.¹³⁹ According to the 2026 *Budget Review*, the national department, working together with provinces and municipalities, aims to build 39,000 subsidised houses in the 2026/27 financial year.¹⁴⁰ However, even if this target is achieved – which is unlikely on recent delivery figures¹⁴¹ – it will take more than 65 years for the state to provide new homes for the 2.6 million households already known to be in need. Only thereafter will it be able to start meeting the additional housing needs which are sure to have arisen in the interim.

Moreover, instead of shifting to a demand-driven approach, South Africa continues to allocate its “individual” subsidies not directly to low-income households to use as they think best, but rather to the state’s preferred (often BEE) contractors whose performance is often poor. However, some positive developments have occurred as these individual subsidies – which used to be confined to the building of new RDP or BNG houses – may now be used to buy an existing house, finish an incomplete one, or buy a new home on a plot-and-plan basis. The value of these subsidies – which remain confined to households with monthly income of R3,500 or less – has risen to some R260,000 in general, with solar geysers (where these are installed) adding some R20,000 to this total.¹⁴²

Under South Africa's main demand-driven programme – the Finance-Linked Individual Subsidy Programme (FLISP), now known as the “First Home Finance” scheme – households with monthly incomes between R3,501 and R22,000 may obtain subsidies on a sliding scale. These range from R169,300 for those at the lowest income level to R39,000 for those at the highest. These subsidies may be used to buy an existing house or flat, build a new house on a serviced site, or buy a serviced site on which a house can in time be built. If the FLISP subsidy is too small, families may add top-up funding either from their own savings or by obtaining mortgage or other loans.¹⁴³

However, since FLISP began in 2012, the number of subsidies granted has remained very low. In the first four years, a mere 6,300 FLISP subsidies were approved, or roughly 1,575 a year.¹⁴⁴ Though the pace has generally picked up since then,¹⁴⁵ only 5,810 were provided in the 2022/23 financial year and 6,760 in the following one. In addition, though the target for FLISP subsidies in the 2024/25 financial year was reduced to 2,170, only 593 were in fact provided. These are small numbers compared to the housing shortfall, while poor performance to date makes it unlikely that the higher targets set for the 2026/27 financial year will be met.¹⁴⁶

In addition to the individual and FLISP subsidies earlier described, the government currently provides nine other subsidies geared towards specified housing needs. These subsidies focus, for example, on the building of homes on farms owned by others or on land held in customary tenure. Various subsidies aim at developing affordable rental units for social housing purposes.¹⁴⁷ However, the many different subsidies currently available all have to be administered, monitored and reported on by officials. This makes for a costly bureaucratic burden, but has little positive impact on delivery. This plethora of programmes needs to be reconsidered.

The upgrading of informal settlements continues too, as the BNG policy recommended in 2004. Recent figures show that some 1.3 million serviced sites were provided by 2023/24,¹⁴⁸ but this total is too small to meet the scale of need. Annual progress is often slow, with a mere 36,100 serviced sites provided in the 2025/26 financial year, for instance.¹⁴⁹ The number of informal settlements has thus increased sharply from the 300 evident in 1994 to the 3,200 reflected in the 2024 *White Paper for Human Settlements*.¹⁵⁰ (The number of informal settlements might in fact be higher still, at some 4,300, as the *Mail & Guardian* reported in October 2023.)¹⁵¹ Informal settlements are continuing to “mushroom,” notes the 2024 *White Paper*, while almost 5 million people now live in them.¹⁵²

A simplified housing voucher

The state's inefficient housing delivery programme, along with its diverse array of subsidies, should be replaced by a single housing voucher, to be made available to all low-income families able, as in Chile, to contribute a stipulated amount to their housing needs. This voucher should cover all key housing requirements: from building new houses to purchasing, improving, or renting existing ones, refurbishing inner city apartments, converting single family homes into studio flats, erecting “backyard” rental units in suburbs and townships, and upgrading shacks in informal settlements.

This simplified housing voucher system would stimulate housing supply, as every household that received a voucher would have a strong interest in ensuring its optimal use. The voucher system and the market it would create would encourage the private sector to build many more terrace houses and/or apartment blocks, or to revamp many more existing structures for housing purposes.¹⁵³

Beneficiaries would also find it easier to gain mortgage finance and other loans, which would further encourage new housing developments. Beneficiaries who already own their own homes would be able to use their housing vouchers to extend or otherwise improve them. Some might choose to use their vouchers to build backyard flats, which they could then rent out to tenants also armed with housing vouchers and so able to afford a reasonable rental. This too would help increase the affordable rental stock available.

Under this new approach, the government's role in delivery would largely revolve around the speedy identification and release of state and municipal land suitable for new housing developments. However, the expropriation of privately-owned land for housing purposes – as recommended in the 2024 *White Paper*¹⁵⁴ – should be avoided to safeguard property rights, attract investment, and help stimulate economic growth.

The government should also streamline land re-zoning and town-planning processes, along with the installation of necessary infrastructure. To increase efficiency, it should outsource these tasks to the private sector through a transparent, non-racial, and cost-effective tendering system. Housing development must no longer be held up for three years or more, as is commonly the case, by continued incapacity and corruption in municipalities and provincial housing departments.

Title deeds must be provided to all new and existing home-owners – including the roughly 9.5 million black South Africans who already own houses but often lack secure title to them.¹⁵⁵ To speed up this process, the skills and resources of the private sector and civil society organisations should be brought in – again, via an open and transparent tendering system. Increasingly, all South Africans will then enjoy the benefits not only of sound shelter but also of secure housing assets they can use as collateral or bequeath to their heirs.

People currently living in informal settlements would increasingly have other housing options available to them. Some would move into new housing complexes and others into new backyard or other flats. Informal settlements would become less crowded, making upgrading easier. Those who chose to remain in them would be able to use their housing vouchers to buy building supplies, hire electricians, plumbers, and other artisans, contribute their own labour or “sweat equity” to reduce costs, and gradually upgrade their homes.

With this simplified voucher system in place, millions more low-income families would be empowered to start meeting their own housing needs, instead of waiting endlessly on the state to administer its current complex range of subsidies or supply them with a small and probably defective BNG home. Competition and innovation would expand, along with individual initiative and self-reliance. The enormous pent-up demand for housing would diminish, and a more normal housing market – backed by secure title to all new and existing homes – would in time develop.

Health vouchers

Since 1994 spending on public healthcare has gone up from R15.6bn in 1994 to R310bn in 2026/27, an increase in nominal terms of some 1,800%.¹⁵⁶ Again, however, the country gets little bang for the taxpayer's extensive buck. Despite the best efforts of many dedicated health professionals working in the public sector, standards of care are often poor.

Misguided ANC policies are the main reason for the malaise. A rigid application of racial targets under the Employment Equity Act has seen many people appointed to senior positions in hospitals, clinics, and health departments without the necessary qualifications and experience. Corruption in public health care is known to be widespread and costs the system an estimated R40bn a year. The health supply chain is particularly vulnerable to procurement fraud, as President Cyril Ramaphosa has acknowledged, "because of the large volume of goods and services transacted." According to Ramaphosa, suppliers of health goods are often "involved in false invoicing, collusion, and price fixing, especially on medicines," while other abuses include "fraudulent orders ...bribery and over-pricing."¹⁵⁷ Often, moreover, BEE procurement rules have facilitated this corruption. According to an interim report by the Special Investigation Unit (SIU), some R2bn has been looted from Tembisa Hospital in Ekurhuleni through a complex web of fraudulent tenders concluded at inflated prices. Of this R2bn, notes the SIU, roughly R122m has taken the form of corrupt payments to health officials.¹⁵⁸

By contrast, South Africa has a world-class system of private healthcare to which up to 50% of households have access. According to Discovery Health, the country's largest private medical scheme, most of these households obtain private health services through out-of-pocket payments.¹⁵⁹ In addition, some 15% have access via medical schemes and about 1.2 million people are covered by health insurance policies.¹⁶⁰ In the 2024/25 financial year, spending on private healthcare amounted to around R300bn. Of this, some R250bn went to medical scheme contributions and personal medical savings, while some R44bn was spent on out-of-pocket purchases and the rest on health insurance cover.¹⁶¹

The number of people belonging to the country's 71 medical schemes has risen from 6.9 million in 1997 to 9 million in 2024.¹⁶² However, since the population has also increased over the period, medical scheme membership as a proportion of the total has fallen from 17% in 1997 to 15% in 2024.¹⁶³ Many more South Africans would be able to join medical schemes if these were less expensive – and if growth and prosperity were higher. However, far from promoting positive developments of this kind, the ANC has hobbled the economy and pushed up the costs of medical scheme membership through its own regulations.

Since 1998, the state has insisted on open enrolment and community (rather than individual) risk rating. This makes it harder for medical schemes to attract the young and healthy and leaves them with large numbers of people who are older and more likely to fall ill. This then pushes premiums up for all members.¹⁶⁴ In addition, the government has insisted that all medical schemes must "pay in full" for some 300 "prescribed minimum benefits" (PMBs), irrespective of whether members want this cover or not. This means that medical schemes cannot offer membership for less than some R1,200 per person per month,¹⁶⁵ which most people cannot afford.¹⁶⁶

In 2015, the Council for Medical Schemes (the Council) responded to the affordability problem by approving low-cost options that would have excluded cover for PMBs and provided access to specified primary health services at a cost of about R180 per adult member per month. The services covered would have included five consultations a year with a private general practitioner (GP) or other primary health provider, access to pre- and post-natal programmes, and the provision of chronic and acute medicines.¹⁶⁷

Low-cost options of this kind were supposed to become operative in January 2016.¹⁶⁸ But the ANC blocked their introduction because it sees low-cost schemes as “a stumbling block on the path” to its preferred National Health Insurance (NHI) option, as outlined below.¹⁶⁹ Yet if low-cost medical schemes were allowed, at least 10 million more people could obtain affordable medical aid and current pressures on the public sector would be significantly reduced.¹⁷⁰

In 2022 the Council put forward an even cheaper low-cost scheme, costing around R130 to R150 per person per month. However, this too remains inoperative.¹⁷¹ In August 2022 the Board of Healthcare Funders (BHF), which represents some 40 medical schemes, applied for a court order compelling the Council to allow medical schemes to offer low-cost benefit options (LCBOs) to lower-income South Africans. However, an acting judge in the Pretoria high court, Judge Lesibana Lebwaba, rejected its application. Though the Constitution accords legal standing (*locus standi*) to “anyone acting in the public interest” to help enforce the Bill of Rights (including the right of access to health care), Judge Ledwaba found that the BHF lacked the necessary *locus standi* to apply for this order. In addition, the court ruled that the Council was “required to control...the activities of medical schemes in a manner...complementary to national health policy.” Since national health policy is to implement the NHI, the court implicitly endorsed the ANC’s view that low-cost medical schemes may not be permitted as this would hinder the NHI. The BHF said it would appeal.¹⁷²

According to the ANC, the only solution to the country’s “two-tier” health system – its failing public system and its generally excellent but costly private one – is to introduce the NHI. Under the National Health Insurance Act of 2023 (which was signed into law in May 2024 but is being challenged in the courts and has yet to become operative), the NHI Fund will replace all existing medical schemes. It will thus become the sole medical aid for all South Africans. The NHI Act will also place all private providers and facilities under comprehensive state control. This will turn healthcare into a government monopoly, shorn of choice, competition, and any impetus to innovation. In addition, all NHI procurement will be made subject to BEE preferences, which will greatly expand the scope for corruption and inflated pricing.¹⁷³

Since the NHI offers no solution to existing healthcare problems, what then is to be done? First, low-cost medical schemes must be permitted, not prohibited. In addition, the regulations pushing up the costs of medical scheme membership should be repealed so as to remove compulsory cover for PMBs and restore individual risk rating. Most South Africans would then pay significantly lower premiums for medical scheme membership. They should also have the option of taking out affordable health insurance policies providing “gap” cover for costly hospital treatment and “top-up” cover for primary treatment extending beyond what their medical schemes provide. This would help insured people pay large hospital bills and cope with costly outpatient treatments.

(Those people who are elderly, disabled, or chronically ill when individual risk rating is restored would have to pay more – but these higher premiums could be funded in a variety of ways. Ultimately, the state would probably need to shoulder these costs. However, this liability would be a diminishing one, as more and more people would join medical schemes while they were still young and healthy.)¹⁷⁴

The mismanagement that currently bedevils public healthcare in South Africa must also be addressed. Efficiency and accountability must be restored by replacing BEE with EED, insisting on value-for-money procurement in all health contracts, and appointing people with the necessary skills and experience to run public hospitals, clinics, and health departments.¹⁷⁵

This combination of reforms would meet the health care needs of most of those in formal employment, along with their dependants. But what of the millions of people who are jobless or disabled, or who earn too little to afford even low-cost medical schemes?

These individuals should be given tax-funded health vouchers – redeemable only for healthcare services – which would allow them to use either private or public providers for their primary healthcare needs. This would reduce the burden on the public sector and also give it incentives to improve its performance.

Health vouchers

Tax-funded health vouchers are used in several countries, both developing and developed, to give the poor access to private healthcare. In 2006, the United States Agency for International Development (USAID) summed up the underlying rationale, saying:

Health care policies in developing countries have traditionally focused on public financing and provision... Low-priced or officially free public health care was intended to ensure the entire population's access to care. [Yet] in many developing countries, people, including many poor, seek better-quality health care in the private sector and pay out of pocket... In response, policymakers are trying various demand-side approaches to financing health care, that is, subsidizing the consumer of health care directly. One approach is the use of vouchers. Vouchers are targeted at identified under-served groups (such as the poor), for specific services (such as Reproductive Health/Family Planning), and are usually for use in the private sector, as public care is supposed to be free or low cost.¹⁷⁶

The World Bank has highlighted other advantages of this “output-based approach” (OBA), stating: “OBA is a form of results-based financing, which links payments to verified delivery of specific health outputs or outcomes. Health-sector staff in traditional salaried positions may have little incentive to raise their productivity or be concerned with client perceptions of health care quality. OBA subsidies, however, create incentives to improve the efficiency of health services delivery and increase access to important health services for new users. Vouchers stimulate demand for health care services and give the poor the purchasing power to seek care from the full range of available service providers (SPs). Accreditation of several SPs should [also] stimulate competition for voucher clients and pressure to improve service delivery... Voucher programs [thus] have the potential to improve health care and health outcomes at the facility level and among the general population.”¹⁷⁷

India introduced a health voucher scheme in 2005. Called Janani Suraksha Yojana (JSY), it took the form of a conditional cash transfer aimed at incentivising women from low-income families to give birth in health facilities. Though subsequent evaluation found that JSY payments often bypassed the poorest and least educated women, they nevertheless “had a significant effect on increasing antenatal care and in-facility births.” They also showed some success in reducing neo-natal deaths.¹⁷⁸

In 2018, India also introduced a voucher scheme for hospital care in both public and private hospitals. This is the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) scheme, which provides a tax-funded subsidy or voucher worth Rs 5 lakh (500,000 rupees) per family per year for hospital care. The scheme targets primarily low-income households, but was extended in 2024 to cover senior citizens, aged 70 or more, regardless of their socio-economic status. In December 2025 the Ministry of Health & Family Welfare reported that “12 Crore [120 million] families were covered under the scheme.” In addition, “a total of 32,574 hospitals, including 15,532 private hospitals, were empanelled under [it] to provide healthcare services.”¹⁷⁹

Health vouchers have also been introduced in Armenia, Cambodia, Kenya, Nicaragua, Tanzania, Uganda, Vietnam and Yemen. Most of these voucher programmes provide low-income women with access to ante- and post-natal care, as well as institutional deliveries. In 2013, a London-based consultancy evaluated these voucher programmes and reported that “vouchers had improved demand for services”. Added the consultancy: “Voucher clients often reported that the voucher brought them status, and that they were better treated than they otherwise would be.” Vouchers also incentivised private providers to improve the quality of their care.¹⁸⁰

This report acknowledged that vouchers tended to be dismissed as “a narrow policy tool,” available only for specified groups or stipulated services and largely irrelevant to the achievement of universal health coverage. However, vouchers could easily be extended to bigger groups and a wider package of health services, it said. Added the report:

Vouchers play a key role in furthering universal health coverage because they can be strategically deployed to address...a wide range of health services and target groups... We all know that achieving universal health coverage requires a combination of innovative solutions. Vouchers may be one of the most exciting and flexible ones of the lot.¹⁸¹

Kenya launched a means-tested reproductive health voucher in 2006 in order to reduce maternal mortality rates that had long stood at between 328 and 500 deaths per 100,000 live births. These vouchers covered the costs of antenatal care, a facility-based delivery (FBD) and a postnatal visit in prequalified health care facilities. A subsequent report found that this “output-based approach (OBA)” – as implemented in two informal settlements in Nairobi and four rural counties – had “improved poor women’s access to FBD.” The positive effects had persisted too, as mothers who had once had an FBD delivery were more likely to seek the same for their subsequent children.¹⁸² Commented the report:

The [programme] used a demand side approach by selling vouchers at a nominal fee [Kenya Shillings (KES) 200 (~USD 2.50)] to low-income women who qualified on their poverty status. Women who purchased the vouchers, in turn, used them to access subsidized healthcare services in accredited public, private or faith-based health facilities of their choice... These providers were reimbursed at agreed rates intended to cover service delivery costs.”¹⁸³

The report found that the voucher programme had helped address two key barriers to FBD: a fear of incurring unaffordable medical expenses and “the unfriendly/disrespectful attitude of providers” toward low-income mothers-to-be. The latter problem had largely been overcome because “providers who offered quality care in a friendly manner [found they] were more likely to attract patients and reap the benefit of the program.”¹⁸⁴

In Uganda a similar reproductive health voucher programme was introduced in 2008 and implemented in 20 districts. In 2016 a World Bank report found that the voucher programme had resulted in “a 16-percentage-point net increase in private facility deliveries and a decrease in home deliveries among women who had used the voucher.” In addition, “a net 33-percentage-point decrease in out-of-pocket expenditure at private facilities in villages with voucher clients was found.” It was clear too that the voucher had primarily reached “households in the two poorest quintiles.” Overall, these results indicated that “a scaled program could help to move the country toward universal coverage of maternal health care.”¹⁸⁵

In 2024 another study sought to evaluate the impact of Uganda’s reproductive vouchers in providing access to “a package of safe delivery services”. (This package comprised four antenatal visits, safe delivery, and one postnatal visit, coupled with emergency transport and the treatment of “selected pregnancy-related medical conditions and complications.”) Having tracked some 1,880 pregnancies involving both beneficiary and non-beneficiary mothers over the period from 2016 to 2019, the study found a significant “positive effect on the survival of new-born babies.” According to the study, “the difference in the survival rate between the control group and the treatment group was 5.4 percentage points, indicating that the voucher project reduced infant mortality by more than 65 percent.”¹⁸⁶

In Yemen, the impact of a similar voucher system was evaluated based on data from 2019. This study found that “the voucher-supported program had greatly improved mothers’ satisfaction, access, and use of all reproductive health services,” including modern contraception.¹⁸⁷

In 2021, a similar message came from Bangladesh following an external assessment of a reproductive health voucher (and micro health insurance scheme) earlier introduced. This scheme was targeted at poor and extremely poor families living in urban slums and on pavements – most of whom had been using “informal providers” and suffering “adverse health outcomes and financial hardship” as a result. This evaluation found that the voucher scheme had “enabled higher healthcare utilisation [and] lower out-of-pocket (OOP) payments among the enrollees, who were happy with their access to healthcare, particularly for maternal, neonatal, and child health services”. Beneficiaries were keen to gain access to a wider benefits package in the future. In addition, while the costs of the voucher programme had been reasonable, there was potential for still greater “cost containment by purchasing health services...on a competitive basis from the market.” Hence, the report concluded, “scaling up similar schemes...would contribute to achieving universal health coverage.”¹⁸⁸

In 2024 Guyana, an English-speaking country in the north of South America, introduced a Universal Health Voucher Programme. As the health ministry explains, the scheme “provides free healthcare vouchers to all Guyanese citizens.” These “government-funded vouchers can be redeemed at approved private health facilities,” including clinics, laboratories and hospitals, right across the country.¹⁸⁹



At present, the voucher programme covers only a limited number of health services. It initially provided eye tests and screening for cervical cancer, while a universal laboratory test voucher was introduced in 2025. As the government reports, “134,152 vouchers were used in 2024 and 326,868 in 2025 – a 144 percent year-on-year increase.” Overall, more than 461,000 vouchers have been processed since the programme began. Though the ambit of the vouchers is still limited, they are nevertheless helping, says the ministry, to “detect diseases earlier, leading to better treatment outcomes; to lower healthcare costs by preventing complications; and to improved life expectancy, allowing people to live longer, healthier lives.”¹⁹⁰

Some developed countries have also introduced health vouchers. In 2009, Hong Kong introduced an Elderly Health Care Voucher Pilot Scheme, which gives beneficiaries financial incentives to seek out private health care. In 2014 the programme was made permanent, while the annual voucher amount was increased to \$2,000.¹⁹¹

Switzerland has tax-funded health vouchers too. The country has no free public health care service at all, instead requiring every resident to hold private health insurance. The government thus provides tax-funded subsidies or vouchers to low-income families to enable them to buy cover. Private insurers compete on price and service, which makes for short waiting times and high-quality outcomes.¹⁹²

According to the Foundation for Research on Equal Opportunity, private health insurance brings other benefits too. It “empowers patient choice” and “creates room for insurers to organically evolve their benefit designs without having to wait for politicians or regulators to act.” Universal private systems also “tend to be more fiscally sustainable.”¹⁹³

Switzerland’s reliance on competitive private healthcare helps explain why it has persistently ranked first on the World Index of Healthcare Innovation. This rates the health care systems of 32 high-income countries on quality, patient choice, scientific capacity and financial sustainability. The Swiss system came first in 2020, 2021, 2022 and 2024. (No ranking was conducted in 2023 as some countries lacked adequate data, while the 2025 report has yet to be published.)¹⁹⁴

In South Africa Discovery Health introduced a limited pre-paid voucher system in 2020. This allows people, regardless of whether they belong to any medical scheme, to buy a voucher for R300. This entitles them to a face-to-face consultation with a Discovery-approved private GP, and also to the medicines dispensed by that doctor to treat any acute illness diagnosed. This is not a tax-funded option, as people must pay for the voucher out of their own pockets. However, it ensures a fixed (R300) total fee, which is significantly lower than the amounts usually charged for GP consultations and accompanying medicines for acute illnesses.¹⁹⁵

Discovery’s voucher system has since been extended. Other options now available include on-line consultations with approved GPs at a cost of R180. In addition, Discovery now provides “bulk employer options,” which allow companies to purchase GP consultations for uninsured staff members. These vouchers can be brought in bulk, stored, and distributed to employees as needed.¹⁹⁶



From BEE to EED for investment, growth, employment and increasing prosperity

In 2017 the South African Communist Party (SACP) warned against the adverse consequences of BEE, saying: “Enriching a select BEE few via share deals...or (worse still) looting public property...in the name of broad-based black empowerment is resulting in....increasing poverty for the majority, increasing racial inequality, and persisting mass unemployment.”¹⁹⁷ The SACP also acknowledged that BEE is the main reason why “intra-African inequality” has grown so sharply.¹⁹⁸ The widening gap between the black elite and the black majority, driven largely by BEE, in turn explains why South Africa’s Gini coefficient of income inequality has risen from 59 in 1994 to 67 in 2024.¹⁹⁹

Contrary to the ANC’s claims, BEE is not providing redress to the great majority of black South Africans. Instead, BEE is a major barrier to the increased fixed investment vital to greater productivity, higher annual growth, and the generation of millions more jobs. Though dysfunctional governance, crime and poor skills are relevant too, BEE is one of the main reasons why the rate of economic growth has hovered at around 1% of GDP for more than a decade.²⁰⁰ By contrast, South Africa’s emerging market peers have been growing at an average of 4% to 5% of GDP a year over this period.

As the Social Research Foundation (SRF) points out, if South Africa had been able to attain a 5% growth rate between 2008 and 2025, the country’s GDP – as well as its GDP per capita – would almost have doubled, while poverty would have halved. According to SRF calculations, growth at 5% on average over this period would have brought South Africa’s GDP to R9.0 trillion in real terms, as opposed to R4.7 trillion today. In addition, real GDP per capita (in constant 2015 rand prices) would have risen to R143,000, whereas it now stands at some R75,200. At the same time, poverty (measured at the lower-bound poverty line, below which people may have to sacrifice food purchases to afford other essentials) would have fallen “from 37.0% or 23.9 million people to nearer 21% or 13.2 million people – a difference of 10.7 million.”²⁰¹

As these statistics underscore, rapid economic growth is the essential foundation for upward mobility and rising living standards. The ANC claims that BEE will bring the same benefits, but 30 years of experience have shown this to be false. To cite the SRF again, “growth in and of itself is the means through which transformation and redress can best be achieved.”²⁰² However, South Africa cannot achieve true transformation because it is caught up in “a fatal bind.” On the one hand, “growth is the only route to empowerment.” On the other, “empowerment policies undermine the investment that is required to generate growth.”²⁰³

The Trump administration in the US has been emphasising these facts to the South African government for many months. In the words of the US ambassador to South Africa, L Brent Bozell III: “South Africa desperately needs investment. We have companies waiting in the wings with billions of dollars ready to invest.” However, these companies are concerned about BEE and particularly its ownership requirements. The US has thus asked Pretoria to “create alternatives, such as equity equivalent investment programs (EEIP) to [BEE] ownership requirements. The South African government now allows all [other] business sectors to participate in EEIP but refuses to provide this for the telecommunications or mining industries, where it desperately needs foreign investment.”²⁰⁴



Adds Ambassador Bozell: “American companies already operate here at real scale, creating hundreds of thousands of jobs and investing in major infrastructure. But many more U.S. companies are waiting to bring major investment in critical minerals, energy cooperation, and telecommunications, to name a few. This is capital looking for the certainty and security it needs to invest in South Africa. The question is not how many American companies have been able to withstand the burdensome and inefficient race-based regulatory environment needed to do business in South Africa – it is how many companies are not investing in South Africa solely because of these additional hurdles. We know that this is a considerable number. [And this] [a]t a time when the South African people need American investment the most.”²⁰⁵

The Trump administration has made other requests to the ANC too. It has asked that “uncompensated land seizures not be allowed,” as “this would surely dampen the enthusiasm for many American companies to invest in South Africa.” It has requested that the president and other senior government officials condemn the singing of “Kill the Farmer! Kill the Boer!,” which most South Africans see as an incitement to violence. In addition, it has requested that “rural crime should be formally designated a priority crime, with a real, announced plan to address it” (to which the US would be willing to contribute “technical and financial support, if it would help.”)²⁰⁶

In essence, as Ambassador Bozell puts it, the US has been urging the ANC to stop “putting its ideology above its own people” and, in particular, to “loosen ownership rules that stifle the very investment that would create jobs South Africa desperately needs.”²⁰⁷ However, after declining to provide answers for some nine months, the president has now refused these requests. Said the US ambassador:

The message was clear: The South African government does not want a constructive relationship with the United States. And so, we have responded with the announcement of a visa restriction policy targeting foreign nationals who are believed to be responsible for, or complicit in, the enactment or implementation of laws or policies that enable uncompensated land seizures, race-based discrimination, and/or the incitement of imminent violence against members of minority ethnic or racial groups in South Africa. This visa restriction policy is a first response, calibrated and specific. But I won’t pretend it’s the last word either.²⁰⁸

The ANC has reacted with outrage, emphasising that South Africa is a sovereign country and its BEE policies will remain unchanged. It claims to have the moral high ground in its determined resistance to US interference, while the Thabo Mbeki Foundation has gone so far as to say that the country could confront a social explosion if BEE is amended.²⁰⁹ However, there is little value in retaining BEE rules that deter investment, limit growth, keep GDP per capita at roughly half what it might otherwise be – and raise the unemployment rate to 33%, against a global average of 5% in 2026.²¹⁰

The ANC's insistence on retaining BEE – and its warnings that the country will confront a major uprising if BEE is withdrawn or amended – are also at odds with the preferences of most black South Africans. This is evident from opinion polls conducted for the Social Research Foundation (SRF) and the Institute of Race Relations (IRR) in 2024 and 2026. In a 2024 opinion poll, the SRF found that:²¹¹

- 68% of all respondents – and 60% of ANC voters – supported doing away with race-based appointments in the public service “so that all government officials are appointed only on merit”;
- 63% of all respondents – and 52% of ANC voters – supported an end to race-based public procurement, so that “all state tenders are issued only on merit”;
- 73% of all respondents – and 63% of ANC voters – agreed that any business should be allowed to “operate freely, regardless of whether it is black or white-owned, so long as it pays tax and helps create employment.”

In an IRR opinion poll in March 2026, 70% of all respondents said that “the government should no longer use apartheid race categories to decide who qualifies for business and job opportunities.” In addition, 89% agreed that “the different races need each other for progress and that there should be full opportunity for people of all colours” (up from 84% in 2025). Moreover, 76% agreed that “better education and more jobs will steadily reduce inequality between the races” (up from 73% in 2025). On public procurement, only 10% supported the current system, which allows for overspending in pursuit of “transformation”. By contrast, 45% wanted “value for money” to be prioritised and 82% wanted the government to find out how much BEE premiums are costing.²¹²

In 2026, the SRF put the following statement to respondents and asked if they agreed or disagreed with it: “The Democratic Alliance recently proposed a new policy. Its policy suggests that BEE be replaced by an empowerment policy that uses poverty, not race, to determine who is in need of upliftment. It argues that BEE has been abused to benefit an elite few, and its new policy will benefit those who really need it.” The responses it obtained showed that 63% of all respondents – and 60% of ANC voters – supported such a poverty-based alternative. So too did 55% of black voters.²¹³

The “fatal bind” in which the ANC has placed the country – by insisting on retaining BEE rules that drive away investment, curtail growth and worsen poverty and inequality – should simply be jettisoned. It is also absurd to keep pretending that BEE is the only mechanism for redress when it has clearly failed to provide this; when most black South Africans want fundamental reform; and when far more effective ways of achieving true transformation can readily be devised.

The DA has already put a non-racial alternative to BEE before Parliament in the form of a private member's bill entitled *The Public Procurement Amendment Bill* or the *Economic Inclusion for All Bill*. The DA Bill seeks to repeal the BEE Act and its codes, wind down the BEE Commission within 12 months, and systematically remove all references to BEE from the Statute Book.²¹⁴

The DA Bill also expressly aims to amend the Public Procurement (PP) Act of 2024 which, as earlier noted, has now been struck down by the Constitutional Court, leaving the Preferential Procurement Policy Framework Act (PPPFA) in place. The DA Bill seeks to terminate these (and all other) racial preferences in public procurement too. Instead, it wants to introduce a new scorecard for companies tendering for state contracts.



Under the “value-for-money” element in this scorecard, bidding companies would earn 80 points out of 100 for efficient, cost-effective, timely and innovative delivery. Under the “economic inclusion” element, companies would earn the remaining 20 points for measurable actions that help advance one or more of the United Nations Sustainable Development Goals (UN SDGs). These rules would help put an end to inflated pricing and corruption. In addition, any bidding company with “a proven record of fraud, corruption or misrepresentation” would be disqualified.²¹⁵

The 17 UN SDGs cover a broad range of objectives, from “no poverty” and “zero hunger” to “clean water and sanitation,” “good health and well-being,” “quality education,” “decent work and economic growth,” “responsible consumption and production” and “affordable and clean energy.”²¹⁶ Making 20 points available to bidders for their contributions in any of these areas, the DA says, will promote a necessary focus on “poverty alleviation, job creation, education, health, and environmental sustainability”.²¹⁷

The DA Bill is an important step towards removing the BEE leg-iron hobbling the economy and hurting the poor. Under this approach, however, the EE Act would remain, along with the racial classification this statute requires. Racial targets in employment would continue to undermine public sector efficiency, erode private sector competitiveness, and provide the ANC with cover for its cadre deployment strategy. Moreover, so long as deployed cadres are in charge of public procurement, it will be difficult to end abuses in state tenders.

In addition, though developmental projects of the kind envisaged in the UN SDGs may help to address important needs, there is a risk that business contributions spread over 17 wide-ranging goals will have too little impact overall. The Bill’s approach is also unlikely to bring significant improvements to dysfunctional public schools, health services and housing programmes. In seeking fundamental reform, it is important, thus, to go still further than DA has done and push strongly for a shift from BEE to EED.

EED offers the best way of ending all race-based laws, improving efficiency, countering corruption, and achieving transformation of a truly beneficial kind. EED will jettison the racial targets in ownership, management and procurement currently deterring investment and curtailing growth. Instead, it will introduce a non-racial system that recognises and applauds businesses for all their vital contributions to economic expansion and prosperity. EED will thereby lift business confidence, encourage fixed investment, promote entrepreneurship, raise the growth rate, and help generate millions more jobs. At the same time, EED’s focus on disadvantage rather than race will terminate race classification and halt the capture of empowerment benefits by a relatively small black elite. In addition, the voucher element in EED will offer a swift and effective solution to vital and largely unmet needs for sound schooling, housing and health care.

As the IRR noted once again in its updated *Growth Strategy*, released in January 2026, many other sound policy interventions are also needed if South Africa is to lift its annual growth rate to 7% of GDP and see its economy double in size every ten years.²¹⁸ However, a shift from BEE to EED is one of the most important changes needing to be made.

BEE focuses on redistribution and fosters racial division. In practice, it has hobbled investment, exacerbated unemployment, encouraged rent-seeking and corruption, and promoted a debilitating sense of victimhood and dependence on the state. By contrast, EED reduces damaging state power, while fostering competition, innovation and self-reliance. EED, in short, puts its emphasis on all the right 'Es', for it seeks to bring about rapid **e**conomic growth, very much more **e**mployment, greatly increased **e**fficiency and cost-**e**ffectiveness, vibrant and successful **e**ntrepreneurship, and a dependable means of achieving **e**xcellent education, housing and healthcare.

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