Specific risk of all imports is risk associated with events or conditions specific to individual or small groups of suppliers rather than the general happenings in the international crude oil market. For example, internal political strife or accidents that hinder productive capacity and limit the export quantity generated by a particular oil-producing nation would have implications for oil-energy security of countries that rely on such a nation for their crude imports.

The largest decrease, between 9 to 10% in specific risk would occur if 10% of Middle East oil imports were diversified to Europe, the region with the least risk weighting of 5.4%. Least reduction in specific risks, 6% would occur if 10% of Middle East imports supplies were transferred to suppliers in Africa, with a risk weight of 19.2%. Overall, reductions in the specific risk index will be greatest if 10% of Middle East imports were to be diversified to Europe, North America, Russia, South America and Africa.

Diversify Oil Suppliers

Our analyses show that fluctuations in both international oil prices and in South Africa’s oil imports result in variability in the systematic risk of South Africa’s oil import portfolio. Results also indicate that, while diversification of supply sources contributes to a lowering of risks, increased diversification that increases supplies from relatively risky oil producing regions would only serve to enhance the specific risks of South Africa’s oil imports. Reduction in specific risks of imports can be achieved if some of the Middle East supplies can be diversified to less risky regions of Europe, North America, Russia and Africa in that order.

And while the analysis provides a number of interesting insights into the issue of oil-energy security for South Africa, rising demand for energy in the country’s transport, manufacturing, construction and commercial sectors implies that future assessments of energy security will benefit from the inclusion of all types of energy resources and supplies.

POLICY RECOMMENDATIONS

1. A policy of having constant monthly imports from each supply region reduces the specific and systematic risks of the oil import portfolio by an average rate of 71% and 2.9% respectively.
2. Significant reduction in specific risks of South Africa’s oil imports is achieved if imports from risky regions (mainly the Middle East) can be diversified to the relatively less risky regions of Europe and North America.
3. To ensure low import risks, South Africa needs to advance strategic partnerships and cooperation between subsidiaries of the government-owned Central Energy Fund (CEF) and private firms in the sourcing of crude oil; establish specific bilateral relations with less risky oil suppliers like Europe, North America and Russia, taking careful considerations of other cost factors.


Dr Njeri Wabiri, chief research manager and mathematical statistician, HIV/AIDS, STIs and TB research programme.

NEW ANGLES ON THE IMPACT OF

The Land Redistribution for Agricultural Development (LRAD) programme showed that it has considerable impact on household consumption for participants, established MALCOLM KESWELL, MICHAEL CARTER and KLAUS DEININGER in a recent study. Yet much work remains to be done to fully understand the connection between asset transfer programmes like the LRAD and a reduction in persistent poverty.

Convincing empirical evidence of the direct impact of land redistributions is scant because history shows that land reforms often occur immediately after periods of intense conflict, when there is much else going on or at the same time as the land transfers themselves.

This makes it difficult to distinguish the impact of the redistribution from other influences, making evaluation of the impacts of these programmes challenging. In countries where land reforms do not involve outright transfers a’ land to the poor, this problem becomes even more difficult to deal with.

The programme works on the basis of a grant that is awarded to beneficiaries on a sliding scale, depending on the amount of the applicants’ own contributions.

THE CHALLENGES

These factors, however, are less relevant in South Africa’s case, making it an ideal case study of the redistributive efficacy of asset-transfer programmes. The Land Redistribution for Agricultural Development (LRAD) programme, launched in 2001, has been the main vehicle for enacting land transfers to the poor.

Styled on the so-called market-assisted land reform model, the LRAD programme provides land to individuals with an interest in farming. The programme works on the basis of a grant that is awarded to
beneficiaries on a sliding scale, depending on the amount of the applicants’ own contributions, and these funds are then used to purchase land, which is then transferred to the beneficiaries.

While studying the impact of this programme presents relatively fewer challenges than, say, some of the land reforms undertaken in India a generation ago, the self-selectivity of the programme still makes it difficult to evaluate. Fortunately, the programme implementation and negotiation process creates an element of randomness about when programme applicants actually become programme beneficiaries, thus creating opportunities for innovative quasi-experimental approaches to identify its impact.

Our study exploited this feature of the LRAD implementation process to disentangle the effect of the programme from the statistical bias that is induced by the programme’s self-selectivity.

This gain is large enough to bump the average participating household over the poverty threshold by a significant amount.

THE APPROACH
To statistically identify the impact of the programme, we did a qualitative study of the screening and administrative processes through which LRAD applicants were required to pass, and used this to inform an empirical model of a household’s selection probability.

The key idea behind this approach was to identify instances where random events experienced by applicants to the LRAD programme resulted in indefinite delays in them becoming beneficiaries, and then using this fact to construct a control group of households that had similar observable characteristics and probabilities of selection into the treatment group (i.e., households who were already beneficiaries of the programme).

This sampling strategy was then complemented by econometrically matching treated and control households with similar observable characteristics to control for self-selectivity bias induced by differences in individual characteristics.

THE RESULTS
The results of this study shows considerable impacts of the LRAD programme on household consumption for participants: accounting for differences in the length of exposure to the programme, monetary impacts of the programme peak at approximately R275 per capita monthly consumption. Assuming an inter-temporal discount rate of 5%, this estimate translates to a discounted gain in monthly per capita consumption of about 50% after three years of exposure to the programme.

It is hard to simulate the precise magnitude by which rural poverty could be expected to decrease as a result of the LRAD programme because such simulations are by nature somewhat arbitrary. This is exacerbated in the case of South Africa where there is some controversy over where to set the poverty threshold for rural areas.

The study estimate of average per capita consumption expenditure for households in the LRAD control group is R467.06 per month. Compared to a notional poverty threshold of R486.27 per capita (based upon a meta-analysis of suitable poverty thresholds typically reported in poverty measurement studies for South Africa), this finding reveals that households in the control group are defined as poor.

Yet much work remains to be done on fully understanding the causal pathways through which asset transfer programmes like LRAD might effect a reduction in persistent poverty.

A simple method of inferring the poverty impact of the LRAD programme would therefore be to evaluate where the average non-participating household would stand once exposed to the programme. By this approach, the impact on the (the depth of) rural poverty is R104.86 per capita monthly consumption. This gain is large enough to bump the average participating household over the poverty threshold by a significant amount. The study also analyses the longer-term impacts and finds that these gains rise till about three

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years into the programme and then declines, where the
decline is probably due to households that entered the
LRAD programme at an early stage when it was arguably
easier to pass the screening process.

FUTURE DIRECTIONS
Does this new evidence suggest scaling-up the LRAD
programme? While analyses of land reform and
agricultural development programmes often privilege
technical productivity and investment indicators, our
work focuses on a consumption-based metric of welfare,
thus allowing a direct input into the debate on poverty
alleviation strategies. Yet much work remains to be done:
on fully understanding the causal pathways through
which asset-transfer programmes like LRAD might effect
a reduction in persistent poverty.

... little is known about whether this evidence
necessarily links back to an improvement
in female bargaining power within the
household.

To fully trace the intergenerational effects, the types
of child-centric outcomes (educational attainment and
health) that have been the central focus of the evaluation
work on cash-transfer programmes, like the South African
Child Support Grant, also require attention.

A further gap in our understanding that could
help to harness or tailor the targeting of the LRAD
programme is to look at impacts by gender. Particularly,
do the land transfers have a gender differentiated effect
by influencing women’s bargaining power and resource
control within households?

While much is known about the impact of cash
transfers on child outcomes in South Africa, little is
known about whether this evidence necessarily links
back to an improvement in female bargaining power
within the household. One promising method of probing
this issue is to link ownership of the (prospective) asset
transfer to the gender of the (prospective) beneficiary,
and then trace the effect out onto the ‘sharing rule’
the household adopts by looking at the change in the
demand for gender-specific goods that is caused by
the change in income attributable to the exogenous
asset shift. Such an approach could also be usefully
complemented through qualitative work that seeks to
probe the complex ways in which households assign
residual rights of control and authority over household
resources, both to get alternative ways of inferring
bargaining power, as well as to sharpen the list of what
constitute gender-exclusive or gender-assignable goods
that might be useful analytically.

Dr Malcolm Keswell, UCT, submitted
while at the HSRC; Michael Carter,
University of California at Davis; and
Klaus Deininger, World Bank.

ROUTINE HIV TESTING:
what it means for
rights to healthcare

Will the impact of routine HIV testing, which forms part of the government’s national HIV
counselling and testing campaign, lead to resource constraints at state antiretroviral
therapy facilities? And if so, who will decide who receives antiretroviral drugs and who
doesn’t? ADLAJ DAVIDS and LINDI COETZEE explore these questions.

HCT AND TREATMENT EXPECTATIONS
Routine HIV testing forms part of the government’s
national HIV Counselling and Testing (HCT)
campaign in South Africa, announced on 25
March 2010. This approach will see provider-initiated,
but voluntary and confidential HCT offered to all
seeking healthcare at public health facilities. In
addition to an HIV test, patients will also be checked
for hypertension, diabetes mellitus, anaemia and
tuberculosis (TB). The campaign will serve the
objectives of mobilising people to know their HIV
status and to fight HIV-related stigma.

At this stage, more than one million HIV-positive
people are receiving antiretroviral therapy (ART)
through state facilities — the largest programme of its
kind in the world. The implementation of routine HIV
testing will reduce delays in HIV diagnosis and speed
up the initiation of treatment for HIV-infected persons
and will thereby increase the number of clients that
will access free ART.

But during the latter part of 2009, some provinces
ran out of antiretroviral drugs due to financial shortfalls
and stock-outs, leading to interruptions in the ART of
some patients. It is therefore likely that with a rapid
increase in the number of patients wanting to access
ART subsequent to the government’s nationwide HCT
campaign, the same may occur.

The questions our research raise is whether the
impact of routine HIV testing will lead to resource
constraints at some ART facilities and to decision-
making at that level as to who gets access to
antiretroviral drugs and who does not.

THE LAW ON ACCESS TO TREATMENT
Access to ART services in South Africa speaks to the
socioeconomic right of access to healthcare, on
which duties are imposed by international instruments,
the South African Constitution and Constitutional
Court decisions. We reviewed these provisions to see
whether they related to the socioeconomic right
to access ART and to evaluate if any obligations were
placed on the state to ensure that its ART programme
was not negatively affected by stock-outs and other
disruptive events.

The most important international instrument
relating to socioeconomic rights is the International
Covenant on Economic, Social and Cultural Rights
(the Covenant). Although South Africa signed the
Covenant in 1994, it has not ratified it. Ratification
will place two positive duties upon the state, namely
to provide a legislative framework that provides for
individuals’ legal status, rights and privileges that
enable them to pursue their rights; and a requirement
that the state implements measures and programmes
that are designed to assist individuals in realising their
rights. A state is, however, granted discretion in terms
of the qualification of the rights, namely ‘progressive
realisation’ and ‘within its available resources’, to
choose the methods for achieving socioeconomic
rights.
STICKING TOGETHER
How much do South Africans trust each other?

PUBLIC SERVICE WAGE BILL
Linking earnings to productivity

AFRICAN GIANT
Professor Bernard Makhosezwe Magubane turns 80

AFFIRMATIVE ACTION
Who approves and disapproves