VINDILAC ANALYTICS

QUARTERLY ECONOMIC CHRONICLES

2022/Q4

Vol.3 | Issue.04 www.vindilac-analytics.co.za ISSN: 2706-896X

ABOUT THIS PUBLICATION

The Quarterly Economic Chronicles is Vindilac Analytics' economic flagship, highlighting a series of economic events taking place at the national, regional and global levels. It is highly driven by the need for economic literacy and financial journalism on the African continent. By providing an economic report that is clear to a non-economist, we unintentionally create an enabling environment for citizens to make informed economic decisions. Our report is unique for it is now compiled and published in several official languages spoken in South Africa. This enables readers to understand economic chronicles in their mother tongues. It is worth noting that this report aims to complement existing economic reports in South Africa.

ISSN: 2706-896X

All queries should be addressed to info@vindilac-analytics.co.za

For more information on Vindilac Analytics' services, please visit the website below:

www.vindilac-analytics.co.za

Table of Contents

TEAM MEMBERS

The contributors to this project are as follows:

Team Lead
Mr Baneng Naape

Seasonal Writer
Mr Marius Masoga

Seasonal Writer
Ms Mulalo Sehlako

Seasonal Writer
Ms Tumelo Matlhako

Seasonal Writer
Mr Bekithemba Qeqe

Seasonal Writer
Mr Thabang Kumalo

Seasonal Writer
Ms Katlego Mphahlele

Seasonal Writer
Ms Zaziwe Maluleke

Seasonal Writer
Mr Mongi Tshaka

Seasonal Writer
Ms Lebo Siboyi

Seasonal Writer
Mr Thabang Serobe

Seasonal Writer
Ms Mkrola Chwayita

1. EXECUTIVE SUMMARY

In its January monetary policy committee meeting, the South African Reserve Bank (SARB) increased the repo rate by 25 basis points (bps) to 7.25% as the average annual headline consumer price inflation accelerated to 6.9% in 2022, from 4.5% in the previous year, with fuel and food inflation as primary drivers. Subsequently, the prime overdraft rate increased to 10.75% thus increasing the general cost of borrowing. A much lower than expected hike of 25 bps as opposed to the previous hike of 75 bps and the 50-bps market expectation indicates that the SARB seems to be reaching the end of a hiking cycle that started in November 2021.

Managing and maintaining economic infrastructure in South Africa is rather strenuous and this is evidenced by the country's inability to provide basic necessities such as electricity. The availability of electricity is crucial for the overall functioning of the economy and aid in the smooth running of all sectors in the economy. However, there is increasing concern that South Africa does not have the financial capacity to finance economic infrastructure to a satisfactory level. The conditions in South Africa have become unbearable for small businesses to conduct business. The cost of living has become high, coupled with rolling blackouts. In 2022, South Africans have had to endure more than 200 days of load shedding as Eskom battles to find the finances to help the power utility get back to full service. It is estimated that the current stage of load shedding deducts at least 2 percentage points from the 2023 GDP (SARB, 2023). Meanwhile, business confidence has reached a record low for the year as conditions worsened in the fourth quarter of 2022. Liquidation cases have likewise ended the year high.

Despite the enormous challenges faced by the 2022 matric learners, there is arguably some good news on the educational front. According to the Department of Basic Education, the pass rate, which is a measure of the number of students who wrote their exams and passed compared to the total number of students who registered to write their exams, increased by 3.7% points to 80.1% in 2022. Overlooking the limitations of this measure, this is a considerable improvement given that the majority of the learners who are from marginalised environments had to study in compromised schools with limited learning material and in the dark as SA continues to mingle between stages 1 and 6 of load shedding.

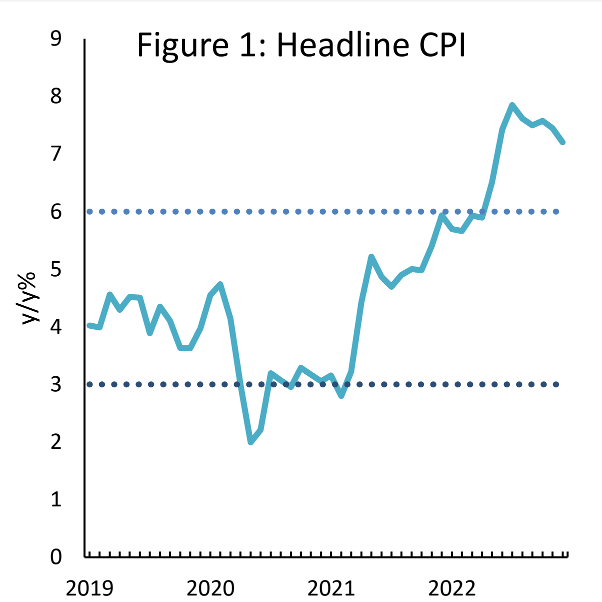
Overall, 2022 was a challenging year for investors across the globe as the macro environment proved difficult for the main asset classes for the most parts of the year. Markets were shaken by the outbreak of a land war in Europe, inflation hitting highs not seen in decades, and a pace of interest rate increases that have been historic. Central banks around the world were forced to raise interest rates aggressively in attempts to get inflation under control. Higher interest rates and higher inflation are typically headwinds for equities as margin pressures materialize from higher inputs and the expensive cost of capital. Nonetheless, 2023 is expected to be a year of transition, with price pressures hopefully easing to allow policy makers to assess growth and inflation dynamics following a more balanced approach. This should reduce market volatility and foster a more stable environment for investors. The timing of that transition is, however, uncertain as inflation, interest rate hikes and the possibility of a recession still formed part of market concerns going into the first quarter of 2023.

2. MONETARY POLICY

- Mulalo Sehlako

2.1. SA hiking cycle likely nearing end

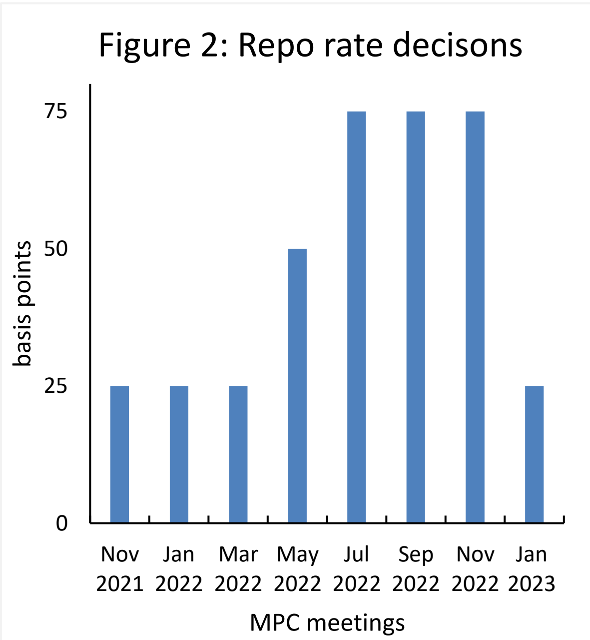
Average annual headline consumer price inflation accelerated to 6.9% in 2022, from 4.5% in the previous year, with fuel and food inflation as primary drivers. However, the downward trajectory that began late last year continued with inflation further softening and reaching 7.2% in December (see figure 1). While, the easing is a welcome development, current inflation is considerably higher than the target upper bound.



In its January monetary policy committee meeting, the SARB increased the repo rate by 25 basis points (bps) to 7.25%. Subsequently, the prime overdraft rate increased to 10.75% thus increasing the general cost of borrowing. A much lower than expected hike of 25 bps as opposed to a previous hike of 75 bps and the 50-bps market expectation indicates that the SARB seems to be reaching the end of a hiking cycle that started in November 2021 (see figure 2). Admittedly, upside stresses could realise and consequently lengthen the hiking cycle.

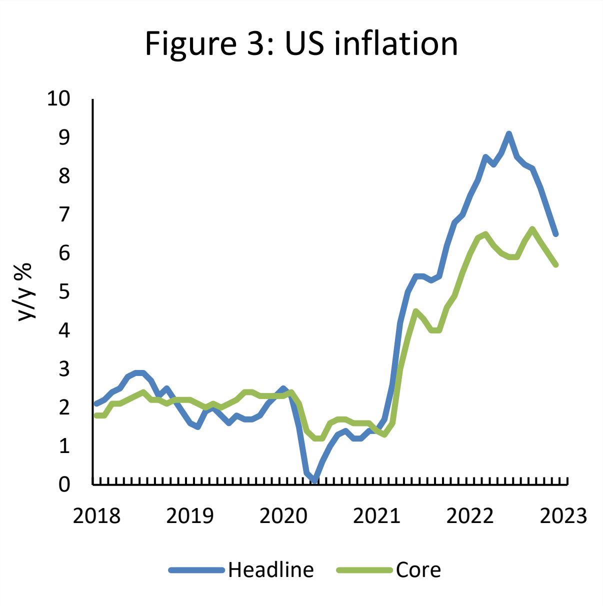
Some latest key price developments include the following:

1. Despite Brent crude oil prices starting this year lower and with a somewhat appreciated rand against the dollar, the retail price of petrol in Gauteng increased from February. Both grades of 95 and 93 octanes unleaded petrol increased by 28 cents per litre to R21.68 and R21.38, respectively.
2. The UN FAO Food Price Index continued its descent from the peak registered in March 2022. The Food Price Index averaged 131.2 in January.
3. The National Energy Regulator of South Africa (Nersa) approved part of Eskom's tariff increase application.

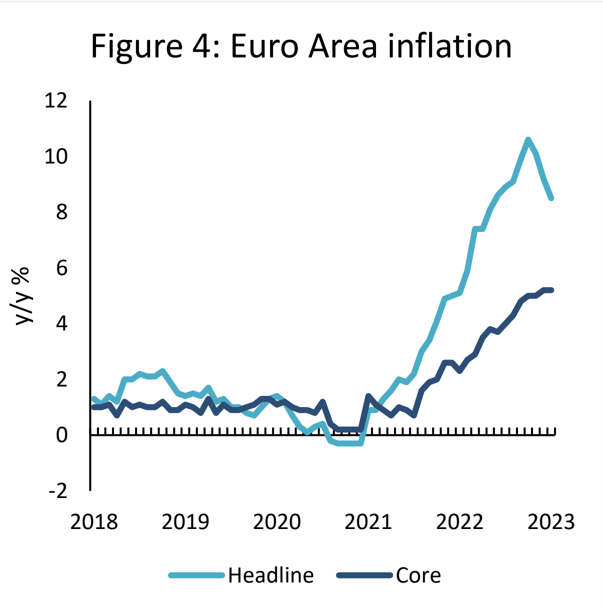


Eskom will be allowed to increase tariffs by 18.65% for 2023/24 and 12.74% for 2024/2025.

2.2. US inflation eases while Euro Area core inflation remains sticky



In the United States, headline inflation has been declining since 2022 with core inflation following suite a few months later (see figure 3). With these inflation measures easing, the US Fed decided to slow its pace of hiking. The Fed raised its key interest by 25bps, 25bps lower than the increase in December 2022. However, the end of the hiking cycle seems to be somewhat dependent on observing wage growth slowing significantly.



Unlike in the US, core inflation is particularly stubborn in the Euro Area (see figure 4). As such in contrast to the slower pace in the US and SA, the ECB lifted its benchmark interest rate by another 50 bps. Even more the ECB strongly expressed its intention to continue this steady increase in its upcoming March meeting.

2.3. Caution: Global slowdown ahead as monetary policy takes root

In 2022, most central banks across the world tightened monetary policy in order to arrest rampant inflation triggered by reopening effects from COVID-19 and exacerbated by the Russia-Ukraine war. Much of this concerted monetary policy tightening will be realised this year with the global economy expected to slow down significantly. The IMF projects that global growth will slump to 2.3% in 2023 from an estimated 3.4% in the previous year.

While there are encouraging signs that price pressures are somewhat easing both domestically and internationally, the battle is far from over. Inflation measures remain far above respective targets and underlying price inflation seems sticky.

3. FISCAL POLICY

- **Katlego Mphahlele**

3.1. Introduction

Managing and maintaining economic infrastructure in South Africa is rather strenuous and this is evidenced by the country's inability to provide basic necessities such as electricity. The availability of electricity is crucial for the overall functioning of the economy and aid in the smooth running of all sectors in the economy. However, there is increasing concern that South Africa does not have the financial capacity to finance economic infrastructure to a satisfactory level. Although the government has indicated the need for private funding, the private sector has shown little interest even when the electricity grid is consistently under pressure with high levels of loadshedding. South Africa is slowly but surely recovering post- pandemic, with the gross domestic product (GDP) exceeding pre-Covid19 levels. Economic activity grew by 1.6% in the third quarter of 2023, indicating stronger than expected resilience to loadshedding and also considering global instability. This increase in economic activity was in particular boosted by the agricultural, finance, real estate, business and insurance sectors.

3.2. Revenue Trends

Tax revenue collections improved significantly across all tax categories with the exception of fuel levies. National government revenue saw an increase of 8.7% year on year to R784.6 billion. According to the 2022 medium term budget policy statement, the focus is on reinstating the well-being of public finances by stabilising debt and narrowing the budget deficit. Correspondingly using the higher-than-expected revenue collection, the medium-term fiscal spending was channelled towards state owned enterprises to make certain of their financial feasibility. Nearly R23.7 billion was allocated to South African National Roads Agency limited (SANRAL) to repay their outstanding government guaranteed debt. Denel was allocated with R204.7 billion to bring down potential liabilities they may incur in the future and an additional R3.4 billion towards completing their turnaround plan. Furthermore, an additional R5.8 billion was assigned to Transnet to aid with restoring infrastructure damaged by floods as well as increasing locomotive capacity volume.

3.3. Expenditure Trends

National government expenditure expanded by 2.7% year on year to R948.6 billion in the first half of fiscal year 2022/23. Higher debt servicing costs as well as higher equitable share transfers to provinces have accounted for the increase in total expenditure. Total equitable share transfers to provinces increased at a rate of 4.2% year on year to R280.4 billion in 2022. Debt service costs increased as a result of higher interest payments on government debt of R147.7 billion in the first half of fiscal year 2022/23. Debt service costs revised somewhat higher in the 2022 MTBPS from R301.7 billion to R307.5 billion for fiscal year 2022/23. Payments to financial assets significantly decreased by 83.0%, amongst other assets was Eskom with a payment of R4 billion, Denel (R201 billion) and South African Airways with a payment of R1.6 billion. As the growth of government revenue continues to outpace the rate at which government expenditure increases this has resulted in a lower cash book deficit of R164.0 billion.

3.4. Fiscal Outlook

Positive scenario

Amid post pandemic recovery, war between Ukraine and Russia, high inflation levels, floods, and persistent loadshedding, South Africa's economic activity has seen a promising improvement.

Negative scenario

The national electricity grid has stabilised at a relatively low level compared to pre pandemic average. Inability to stabilise will exacerbate the pre-existing conditions which deter economic growth.

Worst case scenario

Re-occurrence of the COVID 19 pandemic will burden the economy and abandon every chance at rekindling hope in the country's economic recovery.

3.5. Conclusion

The electricity grid, gas and water pipelines, and railroad lines are examples of basic components that tend to become natural monopolies even though some network businesses are amenable to competition. In these situations, efficient economic regulation is necessary to issue licenses, guarantee access to networks, set prices, and establish technical and service standards that protect consumers' access to reliable and competitive prices, encourage affordability, and guarantee operators' efficiency and financial viability.

It is necessary to re-evaluate the function and efficiency of sector regulators because improved regulatory performance is essential for the advancement of a country. Building regulatory institutions' capacity will be necessary for this. Additionally, the state needs to be able to create rules that work, assist regulators, and address problems that are brought up by regulators.

4. BUSINESS & FINANCE

- Zaziwe Maluleke

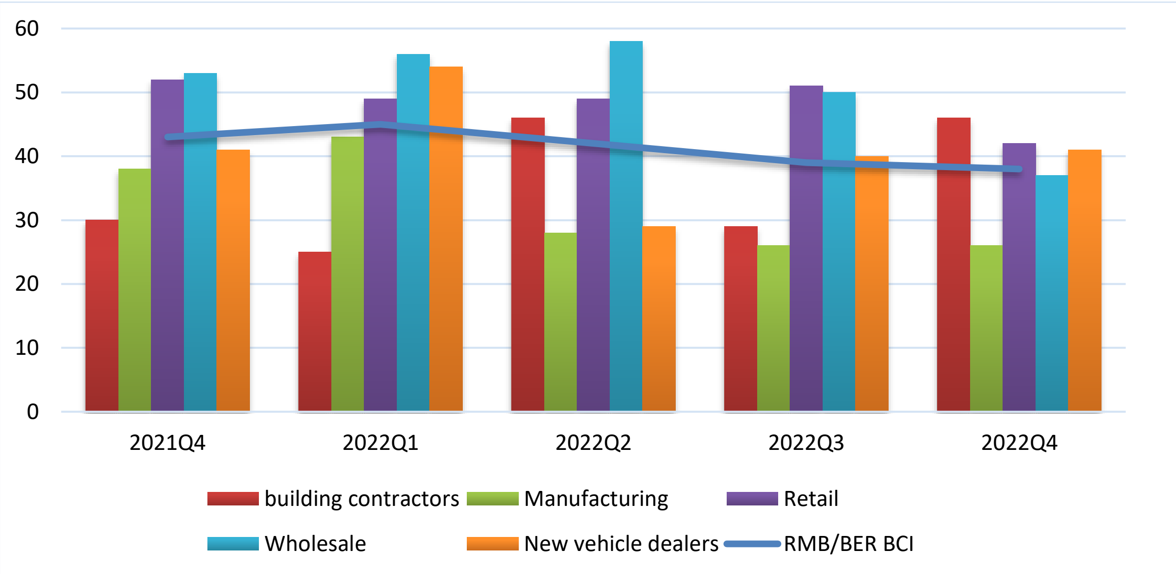
4.1. Introduction

The conditions in South Africa have become unbearable for small businesses to conduct business. The cost of living has become high, coupled with rolling blackouts. In 2022, South Africans have had to endure more than 200 days of load shedding as Eskom battles to find the finances to help the power utility get back to full service. It is estimated that the current stage of load shedding deducts at least 2 percentage points from the 2023 GDP (SARB, 2023). Meanwhile, business confidence has reached a record low for the year as conditions worsened in the fourth quarter of 2022. Liquidation cases have ended the year high but has eased.

4.2. A downward trend in BCI

The survey results show a continued downward trend as load-shedding worsened in the second half of the year. The fourth quarter of 2022 saw business confidence fall marginally to 38 from 39 index points. Building contractors remained strong at 46 from 29 index points as the residential building sector remained resilient due to increased business activity (BER, 2022). Wholesaler and retailer confidence remains low at 37 and 42 respectively as they rely on consumers. New vehicles dealers have seen a marginal increase to 41, with perceptions of a less-hawkish monetary stance.

Figure 5: RMB/BER BCI[1]



Source: BER (2022)

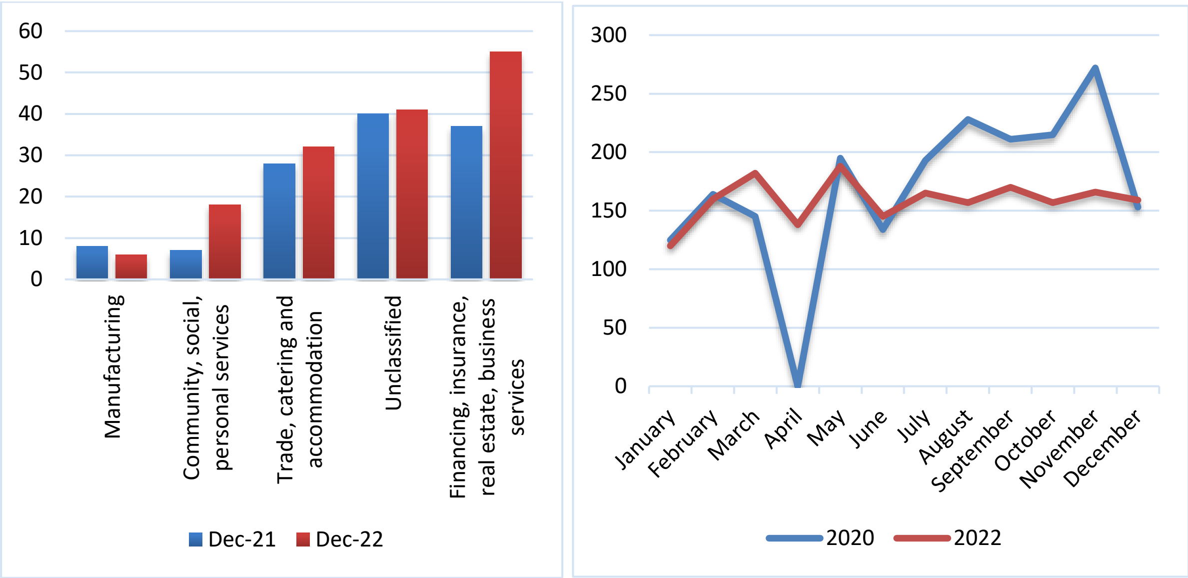
4.3. Business Liquidations

The trend in liquidations continues to increase as business conditions are unfavourable for most businesses. These businesses have had to endure the Covid-19 and load-shedding times. The cost of operating businesses is looming due to load shedding. Companies that can afford to continue operating have had to spend more on back up generation. Companies that specialise

[1] An index less than 50 is said to indicate a loss of confidence, while an index more than 50 shows increased confidence

in dairy have had to take losses due to an interrupted cooling system and a break-down in machinery. The agricultural sector has experienced interruptions relating to irrigation, keeping slaughtered meat, while fast food restaurants like KFC have been forced to temporarily shut operations.

Figure 6: Total liquidations



Source: StatsSA (2022)

Figure 6 is a graphical representation of the total number of liquidations in South Africa. The comparison is made between 2020 and 2022, since the year 2020 had the highest number of liquidations amid the pandemic. In 2022, liquidations eased, however, during May and July of 2020 the number of liquidations trended together. In December, a convergence can be observed between 2020 and 2022, which may indicate the start of a downward trend as the number of liquidations have decreased by 6.61%. The finance, Insurance, real estate and the business sectors recoded the most liquidations with a 48.65% increase year on year. The community, social, and personal services has also seen an uptick in liquidations from 7 to 18., while 41 liquidations remain unclassified.

4.4. Forward-Looking Statements

Positive scenario –If load-shedding comes to an end, business can operate without disruptions. This may lead to better-than-expected economic growth, a recovery in demand, and a decrease in unemployment.

Negative scenario –Continuous load-shedding will continue to affect businesses without back up power and consequently increase the cost of operating. There will be a loss in revenue and lower than expected economic output.

Worst-case scenario – Permanent load-shedding into the future. Businesses that have already suffered the effects of Covid-19 may close down, leading to further job losses and negative economic growth.

4.5. Conclusion

In order to survive, South African businesses need to be able to factor in the cost of off the grid electricity generation like battery storage, solar, and generators for example. This is an opportunity for small businesses to become innovative to ensure that they can survive. It is evident that load-shedding will continue to exist in the short to medium term.

5. FINANCIAL MARKETS

- **Bekithemba Qeqe**

5.1. Introduction

Overall, 2022 was a challenging year for investors across the globe as the macro environment proved difficult for the main asset classes for the most parts of the year. Markets were shaken by the outbreak of a land war in Europe, inflation hitting highs not seen in decades, and a pace of interest rate increases that have been historic. Central banks around the world were forced to raise interest rates aggressively in attempts to get inflation under control. Higher interest rates and higher inflation are typically headwinds for equities as margin pressures materialize from higher inputs and the expensive cost of capital.

The MSCI All-Country World Index of stocks lost about a fifth of its value during 2022, recording the worst performance in 14 years since the global financial crisis wiped 40% off stock values in 2008. Bond markets have also endured a tough 2022 as the US 10-year government bond yield, a global benchmark for long-term borrowing costs, doubled to 3.9% from about 1.5% in the end of 2021[2], which according to Bloomberg, was the biggest annual increase since the 1960s. Moreover, currency depreciations in many countries have resulted in higher commodity prices in local currency terms compared to the price in U.S. dollars. Notwithstanding the above, financial markets recovered some of the year's losses in the fourth quarter of 2022. Both equities and bonds rose during the quarter as the Federal Reserve began to slow its pace of rate hikes and inflation measures declined.

5.2. Equity Markets

The MSCI ACWI captures large and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets. The MSCI World index measures the equity performance in both the developed and emerging markets, the MSCI Emerging Markets index measures the equity performance in emerging markets, while the FTSE/JSE All share index tracks stock market performance in South Africa. Table 1 presents the performance of these different indexes during the fourth quarter of 2022, comparing this with their overall performance during the full course of 2022. As shown by the numbers in the table, global equities recorded positive gains in the fourth quarter while they were down(declined) for the full year.

TABLE 1:EQUITY MARKET PERFORMANCE Q4 2022 VS YEAR 2022

Equity Index	Q4 2022 return	2022 return
MSCI ACWI	9.78%	-18.36%
MSCI World	9.77%	-18.14%
MSCI Emerging Markets	9.70%	-2.09%
SA Equity-FTSE/JSE Al Share	15.2%	3.6%

Source: MSCI[3] , M&G Investments (based on Bloomberg data)

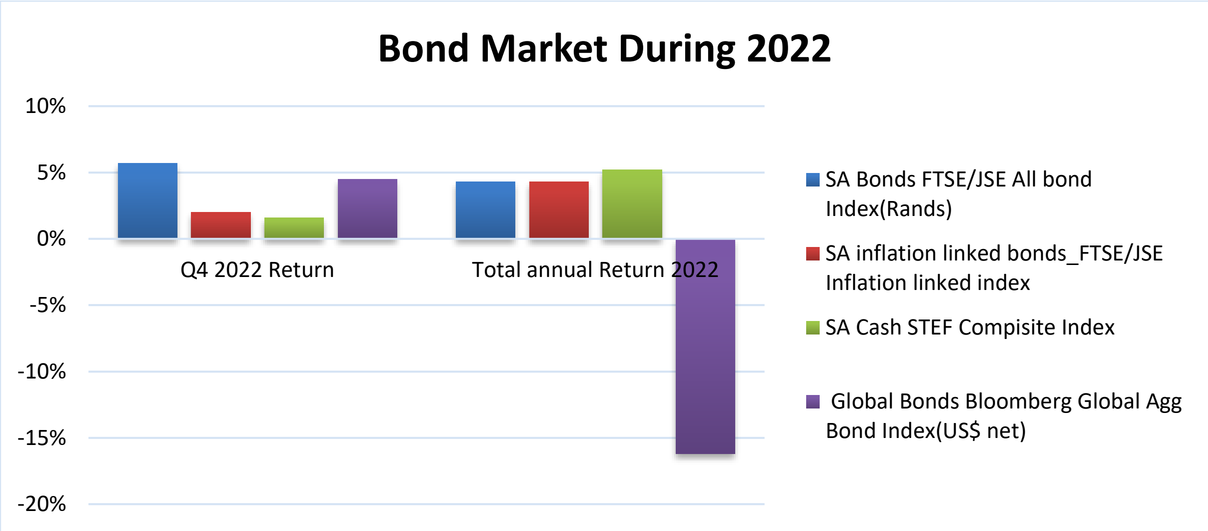
[2] Stubbington, T, Samson, A & Duguid, K., 2022. "Stock and bond markets shed more than $30tn in 'brutal' 2022", Available: https://www.ft.com/content/87ed8ea6-4913-4452-9135-498040ad338f
[3] MSCI ACWI Index (USD), Available: https://www.msci.com/documents/10199/a71b65b5-d0ea-4b5c-a709-24b1213bc3c5

Locally, South African stocks performed reasonably well in the fourth quarter of the year, recording a 15.2% gain despite continued loadshedding and a spike in political risk in early December on reports that President Cyril Ramaphosa might resign. Further in contrast to other emerging markets, domestic stocks posted positive gains in 2022, achieving a total annual return of 3.6%. [4]

5.3. Bond Markets

In line with Q3, performance bonds also posted meaningful gains in the fourth quarter, with the Bloomberg Global Aggregate Bond Index delivering 4.5% (in US$)[5]. The FTSE/JSE All Bond Index (ALBI) delivered 5.7%, outperforming global bonds yet again (-1.5% in rand terms). For the 12 months to 31 December, local bonds outpaced global bonds with a return of 4.3% versus -11.2%, in rands. Inflation-linked bonds (ILBs) produced 2.0% and cash returned 1.6% for Q4.

Figure 7: bond markets q4 2022 vs year 2022



Source: Bloomberg data

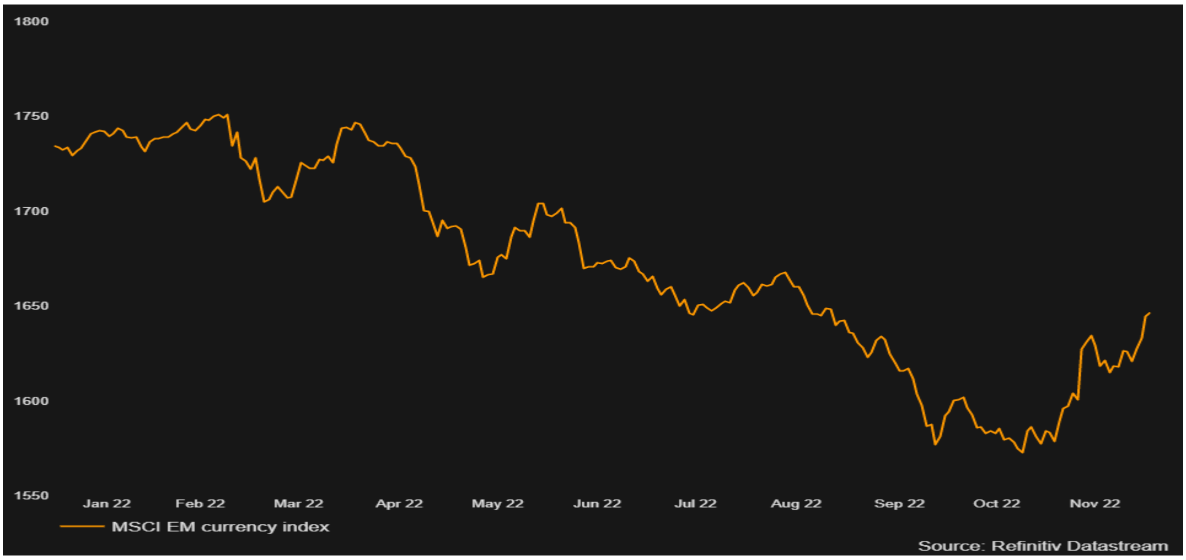
[4] M&G Investments, 2022, "Market Observations: Q4 2022", Available: https://www.mandg.co.za/insights/articlesreleases/market-observations-q4-2022/

[5] M&G Investments, 2022, "Market Observations: Q4 2022", Available: https://www.mandg.co.za/insights/articlesreleases/market-observations-q4-2022/

5.4. Currency Movements

The rand posted a mixed performance, gaining 5.8% against a weaker US$ but losing 1.9% against sterling and 2.8% versus the euro over the quarter.

Figure 8: Emerging market currency movements during 2022



Source: Refinity

Further, the MSCI's index of emerging market currencies is down by only 5% year-to-date (as of 5 December 2022)[6], while the dollar's G10 peers have lost nearly twice as much. Emerging market currencies benefitted from slower fed hikes, a shift in expectations that China will loosen its strict COVID-19 containment policy and comparatively rich yields found in many EM countries.

5.5. Commodities

Commodity prices were on the rise in 2022, with energy prices increasing by around 60% in the year.[7] The table below shows global annual and Q4 average prices of selected energy and non -energy commodities. As see on the table, the prices of Brent crude oil averaged $88,40/barrel in Q4 2022, while the prices averaged around $99/barrel in 2022 as a whole. The prices of West Texas Intermediate (WTI) oil averaged $82.9/barrel in Q4 2022 while the annual average was around $94/barrel.[8] The prices of maize averaged $301,6/metric ton(mt) in Q4 2022 and $318,8/mt in 2022 as a whole. The prices of rice averaged $425,30/mt in Q4 2022 and $436,8/mt for the whole of 2022. In precious metals, Gold prices averaged $1 873/troy ounce(toz) during Q4 2022 while for the whole year, prices averaged $ 1801/toz. Lastly the

[6] Reuters, 2022, " Analysis: Investors look to emerging markets as planets align for end of dollar bull market" , Available : https://www.reuters.com/markets/currencies/investors-look-emerging-markets-planets-align-end-dollar-bull-market-2022-12-06/

[7] Worldbank, 2022, "Currency Depreciations Risk Intensifying Food, Energy Crisis in Developing Economies", available; https://www.worldbank.org/en/news/press-release/2022/10/26/commodity-markets-outlook#:~:text=After%20surging%20by%20about%2060,over%20the%20past%20five%20years.

[8] Worldbank, 2022, "Commodity price data 2022", available: https://thedocs.worldbank.org/en/doc/5d903e848db1d1b83e0ec8f744e55570-0350012021/related/CMO-Pink-Sheet-January-2023.pdf

prices of platinum averaged $1029/toz in Q4 of 2022, while the annual average was around $962/toz.

TABLE 2:COMMIDTIY AVERAGE PRICES Q4 VS ANNUAL AVERAGE PRICES

Commodity	Quarter 4 2022 average price	2022 annual average price
Brent crude oil($/barrel)	88.40	99.80
West Texas Intermediate Oil(($/barrel)	82.90	94.40
Maize($/mt)	301.60	318.8
Rice($/mt)	425.30	436.80
Gold ($/toz)	1 873	1 801
Platinum ($/toz)	1029	962

Source: World Bank Commodity Price Data

5.6. Prospects for 2023

2023 is expected to be a year of transition, with price pressures hopefully easing to allow policy makers to assess growth and inflation dynamics following a more balanced approach. This should reduce market volatility and foster a more stable environment for investors. The timing of that transition is, however, uncertain as inflation, interest rate hikes and the possibility of a recession still formed part of market concerns going into the first quarter of 2023.

6. HEALTH & EDUCATION

- **Lebo Siboyi**

6.1. The debate surrounding the matric pass rate - The devil is in the detail

Despite the enormous challenges faced by the 2022 matric learners, there is arguably some good news on the educational front. According to the Department of Basic Education, the pass rate, which is a measure of the number of students who wrote their exams and passed compared to the total number of students who registered to write their exams, increased by 3.7% points to 80.1% in 2022. Overlooking the limitations of this measure, this is a considerable improvement given that a majority of the learners who are from marginalised environments had to study in compromised schools with limited learning material and in the dark as SA continues to mingle between stages 1 and 6 of load shedding. A more detailed discussion of the challenges faced by learners in public/government schools was outlined in the 2022Q2 publication.

6.2. Unpacking the pass rate

Diving deep into the pass rate, the reported 80.1% pass rate which continues from the upward trend of 60% in 2009, shows that the bachelor's pass across the country improved by 8.9% to record 278 815, diploma passes were 197 357 while higher certificate passes were pencilled at 108 159. Free State at 88.5%, Gauteng (84.4%), and KZN (83.0%) were the top 3 provinces leading the pack while Mpumalanga (76.8%), Northern Cape (74.2%), and the Limpopo (72.1%) provinces were the biggest draggers to the pass rate. Interestingly, to get the National Senior Certificate, a learner only needs to obtain a minimum of the following: pass 6 subjects out of the 7, at least 40% in the home language and two other subjects and at least 30% in the rest of the 4 subjects. So, the bar is already low as one needs to know less than 50% of the knowledge per subject to pass, meaning learners are already set for failure due to the limited options available given the requirements for a pass.

To further outline the limitations and the horror of the so-called "80.1%" pass rate, groups such as the Equal Education and Zero Dropout have decided to use a different measurement for the pass rate including calculating the rate "using the number of learners from the last matric grouping that passed as a proportion of those who enrolled in Grade 2[9]". Using the grade 10 cohort in the measurement as one can safely assume that those who do not exit the education system after grade 9 and enrol for grade 10 have the goal of finishing their matric, the matric pass rate becomes 52.5%. According to the Democratic Alliance, if we factor in the 330 000 pupils in grade 12 who dropped out in 2022, the pass rate drops to 54.6%.

There are genuine concerns about the high dropout rate that the Department of Education seems to ignore in the quest to focus on the "*recovery*" sign in the educational system using the recent pass rate. The 80.1% pass rate does not take into account the fact that almost 500 000 learners exit the school system before they make it to grade 12 due to unfavourable learning conditions. Furthermore, given the devastating and unacceptable youth unemployment that stands at 59.6%

[9] https://mybroadband.co.za/news/trending/476959-south-africas-real-2022-matric-pass-rate-53.html

as of 2022Q3 for the 15-24 years age group, it is disheartening to think of what the future holds for SA as the majority of the marginalised individuals continue to be victims of the failures of the educational system.

6.3. Conclusion and recommendation

Despite the improved pass rate, it remains imperative that the Department of Education revisits the curriculum and its relevance. Most importantly, the issues related to the pass requirements and the learners that drop out before and during grade 12 need to be revisited. The recommendations offered in the 2022Q2 publication are still relevant and more relevant as the year starts and the include:

- Adequate infrastructure – Proper infrastructure that can cater for all registered students will lead to smaller class sizes and an interactive and creative learning environment. This will aid in allowing students to perform at their optimal level without being limited by the school environment. This will likely improve learning outcomes and schools to be in a better position to expose learners to technology, libraries, and labs.
- Teacher quality – SA lacks teacher professional standards and this has resulted in a lack of accountability for teachers. The main argument offered for implementing teacher standards is that if teachers meet certain standards before being allowed to teach, this will allow the school to hold them accountable if they fall short and this will result in improved quality of teachers. Furthermore, high expectations of teaching quality will result in greater expectations for learners.