



**SOUTH AFRICA'S STUNTED DEVELOPMENTALISM:
Challenges of Ideology and Practice in Building a Developmental
State**

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THESIS PRESENTED FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY
IN THE DEPARTMENT OF AFRICAN STUDIES,
UNIVERSITY OF CAPE TOWN

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22 January 2024

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ABSTRACT

This study examines the challenge of establishing a developmental state (DS) in South Africa by applying the paradigm of the developmental state. This is due to the governing ANC adopting DS as state policy in 2007, thus prompting investigation into its applicability to the South African environment. The study, therefore, links the DS model and its features to the four attributes identified in the ANC resolution on DS.

It is a qualitative research study using interviews, archival research, review of secondary literature and various digital and social media sources as data. It suggests that although South Africa possesses the necessary attributes to establish a DS, its construction faces challenges. Among these are: a disparate and ineffective leadership in government and in the party embroiled in ideological contestations; a fragmented state lacking state-wide coordination, planning and implementation thus policy dissonance; lack of an economic elite bureaucracy coupled with weakness to deploy existing capacity and capability to areas of competencies; inability to harness society-wide consensus on developmentalism and the threat of corruption.

The study's contribution is that it shows that there is awareness in the ANC of the gap between the party's ideological commitment and its practice of developmentalism. There is admission of the leadership and institutional weaknesses in the party which adversely impact the state, and the recognition that the ANC was not ready to govern despite the earlier rhetoric. Critically, there is recognition that the post-Polokwane environment collapsed earlier attempts made at creating institutional structures that are key to constructing DS. Therefore, the need to re-design the party. Second, strengthen institutional capacity and capability of the State. Third, develop symbiotic relations with, primarily, business, and social partners, to support the existing hegemonic developmental agenda.

ACKNOWLEDGEMENTS

Ea hakala kirieatsoana, monyamana ‘mala ha o chenche. Ho buile ntate Hlalele motho a ‘ntsoe lesesane, a re o s’ka lahla thaetlele Mjojis, o s’ka lahla thaetlele ntoana dladleng.

Nkeke ka lahla sekola Sebata, hobane sa Leronti se ntse se eme St Francis mokokong. Mekolokong folakha e ne e fokaela hloohong tsa baporesita, balumeli ba bina lihosana. Ba itse ba ea e tseka ea ba hlola, hobane tsa Limane ha se thepe e khuoang ka lehlaka, tsa habo Maitse ha li fasetsoe mabanta, etsoe ha li ea ema ka mahata a bana ba batho.

Ngoana khomo ea lebese o fuparetsoe ke mafahla, a Malefane le a Phalole, Mokhali le Mokhalinyana.

Lekaka lenyatheli monna mosipili Morena Morapeli. Poho e ntso mahlabe ea Taung e li hlabile sehlabeng sa thuto, O mali tlere moleko oa Zola. O mali ke ho fata ka linala mosikong oa thaba ea tafole, a e hloa mekoalaba. O khantsa sekola ke sena se tsoa bolibeng ba leoatle bana ba Nthethe. Ke hlooho-ea-tsie e abelanoa ho ba chatsi. Ke re ntate Molimo oa bohle, Molimo oa khale, Molimo oa batho, ke ntse ke re tanki ha-‘ngoe, tanki habeli, tanki hararo.

My gratitude to you all, individually and collectively, who made this journey worthwhile. You know I know who you are.

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LIST OF ACRONYMS

ANC	: African National Congress
ARDP	: Accelerated Rural Development Programme
AsgiSA	: Accelerated and Shared Growth Initiative for South Africa
BDP	: Botswana Democratic Party
BEE	: Black Economic Empowerment
BBBEE	: Broad-Based Black Economic Empowerment
BER	: Bureau for Economic Research,
BPESA	: Business Process Enabling South Africa BPESA
CC	: Competitions Commission
CCUS	: Carbon Capture Storage
COSATU	: Congress of South African Trade Unions
CSDP	: Competitive Supplier Development Programme
CST	: Colonialism of a Special Type
DALRRD	: Department of Agriculture Land Reform & Rural Development
DBE	: Department of Basic Education
DED	: Department of Economic Development
DFI	: Development Finance Institution
DHET	: Department of Higher Education & Training
DME	: Department of Minerals and Energy
DMR	: Department of Minerals
DOE	: Department of Education
DOE	: Department of Energy
DPME	: Department of Planning Monitoring and Evaluation
DTI	: Department of Trade and Industry
DTIC	: Department of Trade and Industry, Competition
EPRDF	: Ethiopian People's Revolutionary Democratic Front
ERRP	: Economic Reconstruction and Recovery Programme
FATF	: Financial Action Task Force
GBS	: Global Business Services
GCIS	: Government Communications and Information System

GDP	: Growth Domestic Product
GEAR	: Growth Employment and Redistribution
GFC	: Global Financial Crisis
ILO	: International Labour Organisation
IPAP	: Industrial Policy Action Plan for South Africa
MCSA	: Minerals Council of South Africa
ME	: Monitoring and Evaluation
MEC	: Mineral-Energy-Complex
NARYSEC	: National Rural Youth Service Corps
NDP	: National Development Plan
NEMA	: National Environmental Management Act
NGP	: New Growth Path
NIC	: Newly Industrialised Countries
NIP	: National Infrastructure Plan/Projects
NPC	: National Planning Commission
NSG	: National School of Government
NUMSA	: National Union of Metalworkers of South Africa
OV	: Operation Vula
PCAS	: Policy Coordination and Advisory Services
PICC	: Presidential Infrastructure Coordination Council
PMO	: Project Management Office
PRC	: Presidential Review Commission
PSC	: Public Service Commission
RDP	: Reconstruction and Development Programme
REIPPPP	: Renewable Energy Independent Power Producers Programme
RPF	: Rwanda and Ethiopia, under the Rwanda Patriotic Front
RSA	: Republic of South Africa
SACP	: South African Communist Party
SACU	: Southern African Customs Union
SALGA	: South African Local Government Association
SDGs	: Sustainable Development Goals
SGO	: Secretary General's Office/ Office of the Secretary General
SIDS	: Small Island Developing States

SIP	: Strategic Infrastructure Projects
SOE	: State-Owned Enterprise
SPLUMA	: Spatial Planning and Land Use Management Act
STATSSA	: Statistics South Africa
TEC	: Transitional Executive Authority
TIPS	: Trade & Industrial Policy Strategies
WEF	: World Economic Forum

CHAPTER 1

INTRODUCTION AND METHODOLOGY

1.1 CONTEXT

South Africa is yet to experience the level of economic development needed to overcome inequality, poverty, and unemployment (PCAS: Presidency 2003; Luiz and Chibba 2011; Nyamnjoh and Hagg 2013; Goldman Sachs 2013). This is despite improvements in policy and progress in areas of social wage since the implementation of a democratic dispensation.

This study seeks to examine the challenge of establishing a developmental state since the ANC's 2007 resolution. The examination will be aligned with the four attributes of DS outlined in the ANC's Strategy and Tactics¹ (S&T) (ANC 2007) and reaffirmed in its 2017 national conference. These are summarised below:

- (i) *strategic orientation* - people-centred, sustained development with high growth rates, restructuring the economy and socio-economic inclusion;
- (ii) *leadership in defining a common national agenda, and mobilising society to participate in its implementation* - the state's effective systems of interaction with all social partners;
- (iii) *organisational capacity* - macro-organisation of the state, policy and implementation organs and stable management system;
- (iv) *technical capacity* - training, orientation and leadership of the public service, and acquisition and retention of skilled personnel. These four attributes are discussed in later chapters to assess the features and analyse the character of the South African DS post-2007.

The study, in accordance with Gumede (2009) and Chang (2010), argues that South Africa possesses the necessary ingredients to “do” a developmental state, including

¹ The Strategy & Tactics, or S&T, was first introduced in 1969 at the Morogoro Consultative Conference as a strategic compass for the execution of the liberation struggle. Since then, the ANC develops and reviews the S&T at its national conferences to clarify for itself at that point, which moment of the democratic revolution it is at and what course of action is necessary towards attainment of the main objective of liberation.

infrastructure, strong domestic capital base, and mass-based political party, a highly qualified and skilled public service officials (Ngcaweni 2013), and relative global influence (DIRCO 2019; 2022; Landsberg 2004). However, it confronts the challenges of linking its ideological outlook to practice, including issues of leadership. It proposes that economic development is central to legitimising the State². But developmentalism transcends the economy – what is characterised by Singh and Ovadia (2018: 1035) as GNP-ism³. It includes enablers of human and environmental development and freedoms (Drèze and Sen 2002; Nussbaum 2011). These are aspects necessary to South Africa given its historical development, also due to global imperatives.

Establishing DS requires an understanding of the political settlement that birthed post-apartheid South Africa (van Wyk 2009). The constitutional framework that has since “preserved” the previous economic structure (Moseneke 2021). The global regime under the World Trade Organisation (WTO) (Steytler 1999) at the inception of the democratic government. Some of these factors inhibit - and others enable - developmentalism. Constructing DS also imposes the need to strengthen the institutional framework, namely, (a) the orientation of the State being developmental, wherein its regulatory capacity is used to achieve economic development; (b) government to provide leadership, coherence and coordination; (c) the State to build a social contract, discipline social actors and develop an effective relationship with the private sector; (d) build the competencies and technical skills in the state; and (e) reform the governing party.

As Abedian and Standish (1992) intimate, the South African State should learn from the Newly Industrialised Countries (NIC) in East Asia that developed successful DS. Economically successful and growth-oriented countries are referred to as developmental states (DS) (Chang 2000). The State was key to industrialisation (Caldentey 2008; Mollaer 2016), leading to rapid economic growth and economic development (Önis 1991). DS requires creating appropriate institutions with capacity and capability to develop it (Pempel 1998, Vu 2007, Weiss 1998, Weiss and

² The term State is used in this thesis in a broader sense than just government. As Chang acknowledges that such a distinction has “good philosophical and political justifications” (2014:377). The author recognises that the two are not the same thing even though, at times, they are used interchangeably.

³ This refers to the sole prioritisation of high-income levels and sustaining growth as was the case in East Asian developmental states.

Hobson1995). They include a strong and visionary leadership (ECA 2011) with a strategy focused on economic development (Mkandawire 2011), a national plan driven by a skilled and insulated bureaucracy – usually in the form of a pilot agency (Saloojee and Pahad 2011), located in the Presidency (Yeung 2017), and ability to build relationships with and to discipline social actors, with the emphasis on strong ties with capital (Johnson 1987; Evans 1995).

There are different types of DS (Williams 2014; Ferraro and Centeno 2018) with the Asian model being the most widely known. Studies have suggested that the Asian model is not transferrable (Singh and Ovadia 2018), because no other developing economy has achieved similar growth (Schneider 2015; Wylde 2018: 1115) except for China (Evans and Heller 2018: 4-7). Developmental states, however, succeeded because their central ideological motivation was developmental, and their states intervened to achieve it (Johnson 1982; Evans 1995). State intervention was considered the most effective catalyst and facilitator of the markets, which were both inadequate and not fully developed in underdeveloped contexts (Chang 1999). However, with the rise of neoliberalism, orthodox theorists argued that markets are the best vehicle for growth and State intervention was the cause of failures (Chang 2014: 116). Post-Cold War embedded liberalism compromise (Ruggie 1982: 382-3), meaning a multilateralism that recognised domestic interventions in line with domestic stability and reliant on strict international financial controls, was replaced by an embedded financial orthodoxy (Cerny 1993); that is, where there was less State dominance but dominance by international financial markets in the global political economy. Therefore, abandonment of earlier economic transformation and development interventions favourable to developing countries, or “transformative capitalism” (Wade 2004: Iiii), created financial and economic instability, preoccupation with interest rates and financial stability, compared to the period of fixed exchange rates and stable currencies. Developmental states are also characterised by their institutional qualities, which enable pursuit and execution of those objectives (Edigheji 2005). Institutions of State in Asian developmental states, their disciplined interventionist role in the economy, coupled with their attitude regarding economic development and competency, were pivotal (Black 1992, 137; Weiss 2010). Therefore, need for “synergy” between the State and the market to provide the basis for an

outstanding development experience (Öniş 1991: 110). Beside the relationship with markets was the leadership of State, its autonomy and “locus of decision-making” (Tordoff 2002:21) and its rational planning capacity (Johnson 1982). Developmental states, therefore, require an adaptable strategy to navigate and take them through different historical moments wherein they can also take advantage of prevailing conditions to advance their national interest (Deyo 1987). They must be a countervailing force between different interests and social actors, able to use their embeddedness to make developmentalism a hegemonic project (Pempel 1998) by outwitting either business or labour (Jalal 1995; Hobson 1999). Faced with an unpredictable, fast-paced, technologically disruptive and resource constrained global environment, 21st century DS require whole government with a breakdown of silos, led by strong future-fit leaders that are “nagging all the time and unreasonable” (Ho 2021).

South African discourse has often leaned on possibility or impossibility of DS, pointing to public service weaknesses (Southall 2006; von Holdt 2010), challenges of corruption and transformation (Potgieter 2012; Taljaard 2015), supposed “secret pact” between the ANC and capital (Terreblanche 2008: 15). In the light of weakened State structures and the Zondo Commission⁴, these perspectives ignore Nyamnjoh and Hagg (2013:26-17) observations. First, the apartheid legacy, its scale and complexity to resolve. Second, the post-liberation euphoria. Third, long-term strategies and planning. Fourth, assumptions made about a committed public service and incorruptible political elite, coupled with thinking consensus-building could be ushered in a deeply divided society like South Africa. They also fall into the narrow narrative that portrays African states as incapable of intervening effectively in ensuring economic growth and development (Mkandawire 2001). Further, as Wade (1992:282-283) shows, major economic growth experienced between 1950 and 1970 in Sub Saharan Africa, including rapid growth post-independence in the 1960s, was adversely impacted by factors other than government intervention, including the negative effects of external factors, loss of skilled personnel and weak institutionalisation for centralisation and

⁴ The Judicial Commission on State Capture, popularly called the Zondo Commission because it was chaired by the Chief Justice of the Constitutional Court, Judge Raymond Zondo. Other times called State Capture, arising from the report of the Public Protector in 2014, titled The State of Capture, that recommended the establishment of the Commission. The Commission was appointed and began work in 2018, to investigate allegations of state capture, corruption and fraud in government and in the state.

control. Developmentalism in South Africa requires a holistic approach to include focus on issues of structural transformation in the economy (Adreoni *et al* 2021), industrial policy (Salazar-Xirinachs *et al* 2014), the role of public service (Maphunye 2009; 2011), infrastructure investment (Howard 2015; Gqubule 2021) and social policy (Creamer 2010; Edigheji 2010).

South Africa's governing African National Congress (ANC), at its 52nd National Conference in 2007, resolved that South Africa would be a developmental state. This was to mark a shift from previous State intervention that was, almost singularly, welfarist, without direct State involvement in the economy. After 2007 the orientation was about State intervention in the economy, including by state-owned enterprises (SOEs) (PCAS, Presidency 2008). Hence Southall's observation that the ANC was "shifting from the Growth, Employment and Redistribution (GEAR) strategy to a more interventionist, developmental state" (2006: xvii). Therefore, contrary to it being a "surprising shift" (Williams 2014: xiii), it had become obvious that the quantitative improvements and high economic indices achieved had not translated into qualitative differences for the majority and the economy (UNDP 2003); that a common vision transcending the binary discourse of socialist versus capitalist in and outside the ruling alliance was necessary (Netshitenzhe 2010); that diversification of the economy away from the mining-energy-complex (MEC) was needed, and that economic development would guarantee social and political stability in the country (Gumede 2009). Further, through earlier attempts to transform the public service, it was recognised that the State required coordination and skilled bureaucracy to effect the required societal change (PCAS, Presidency 2003: 9).

Earlier successes linked to the adoption of DS were at the ideological and policy fronts. Among others, were the development of the National Development Plan (NDP), the National Planning Commission (NPC), the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP), the establishment of the Department of Economic Development (DED); State intervention to create the renewable energy sector (Eberhard *et al* 2014) and the energy build programme; the 2010 investment in infrastructure (Chitiga-Mabugu 2013) and the establishment of the infrastructure development regime (Motlanthe 2012; Lalla *et al* 2013); and the implementation of

countercyclical macroeconomic policies during the Global Financial Crisis (GFC) (Patel 2009; OECD 2010), including the response to the Covid-19 pandemic by obtaining agreement from industrialised countries to support vaccine manufacturing in South Africa (Ramaphosa 2021; EIB 2022; Georgieva 2022).

Progress has been hampered and the improved economic performance in the mid-2000s on the back of high commodity prices linked to China's growth (Sachs 2021) was unsustainable due to, among others, ideological differences linked to the NDP (Masilela 2013); currency volatility, lack of economic diversification and deepened industrialisation (ECA 2011) and a weak manufacturing capacity (Chang 2019); the "private sector investment strike" (Bosiu, *et al* 2017) and post-2010 "public investment strike" (Gqubule 2021); an often qualified but incompetent public service (van Holdt 2010) plagued by politicisation (Ramaphosa 2021), inability to adapt to a new and expanded mandate (Plaatjies 2011) and transformation (Taljaard 2015), lack of implementation (Mokate 2015) and corruption (RSA 2022); leadership and political incoherence (Khoza 2022); lack of and ineffective relationship between the State and the private sector (Spicer 2016); and high public sector salaries (Intellidex 2020). Most important, DS lacked traction because of "choice" to not proceed with the radical economic interventions proposed post-2007 (PCAS, Presidency 2008), also due to critical weaknesses linked to the governing ANC.

In undertaking this research, the researcher adopted a multi-pronged approach to understanding South Africa's developmental state, recognising its evolution but with specific attention afforded to what occurred after the 2007 ANC resolution. In doing so this deliberately avoided two pitfalls. First, the researcher avoided the trap of an analytical discourse consistent in emphasising the impossibility of a developmental state, and a prescriptive path that assumes its existence merely because there appear some resonant elements (Mkhandawire 2001:289). Second, the researcher was conscious that mere pronouncements of South Africa as a (democratic) developmental state before the arduous task of building it is undertaken could be its downfall, as some may assume the task to be underway even before it commences (Edigheji 2010).

1.2 RESEARCH OBJECTIVES

The main objective of the study was to understand challenges of constructing DS in South Africa. The perspectives of senior members of the Congress Alliance, that is, the ANC, South African Communist Party (SACP) and Congress of South African Trade Unions (COSATU); senior State officials, businesspeople, academics, and civil society are used to illustrate the challenges. Linked to the main objective the research sought to:

- Examine the commitment of the political leadership to do DS.
- Examine the institutional designed of the State in constructing DS.
- Examine both the capacity and capability of the bureaucracy, in terms of its role.
- Examine the nature of state-society relationships and how they impact the developmental agenda.

In this regard, this research intended to answer these questions:

- How did the political leadership of the South African state show commitment to developmentalism?
- Was the State structured to fulfil the desired goal of constructing DS?
- How was the bureaucracy positioned to realise DS objectives, in terms of its professionalism, autonomy, qualifications, skills and technical attributes?
- How were state-society relations structured to advance the developmental agenda?

1.3 RATIONALE AND SIGNIFICANCE OF THE STUDY

The research aims to contribute to theoretical and practical knowledge of building DS, particularly in a context like South Africa, thereby benefiting scholars and practitioners. Developing an understanding of the challenges linked to constructing an effective developmental state in post-apartheid South Africa is critical, as seen in contemporary debates focused on the structural transformation of South Africa's economy and society (Edigheji 2010; Freund 2013; 2018; Adreoni *et al*, 2021). Simultaneously, various attempts have been made to reform the State, to develop a capable State. This study, therefore, intends to “enlarge the body of scientific

knowledge” instead of providing mere feedback (Levin-Rozalis 2003:1) in its endeavour to gain insight into various interventions made, analyse them to help improve both understanding and practice of DS, and show what is required to make DS effective. Among the issues that the study examines is that developmentalism as an ideology has been and continues to be central to the governing party. However, for it to be entrenched there are some interventions required in both the State and the party itself. The ANC should develop its political and intellectual capacity and capabilities, including knowledge and understanding of State, for it to build DS. The Presidency needs to provide leadership, authority and centrality to the state. There is the need for coordination, and coordination of policy, at various levels of the state and between ministries to engender developmentalism. To this end the national development plan should provide a focused, phased and resourced interventionist approach, whereby the National Treasury plays a supportive funding role for development projects like infrastructure, instead of present practice where it determines policy. The tendency in South Africa’s state to emphasise its regulatory framework and ethos has adversely pitted development against regulation, and in the process economic development and industrialisation are stunted. The relationship between the State and social partners, especially capital, should be strengthened so that the private sector invests in the development agenda.

1.4 RESEARCH DESIGN AND METHODOLOGY

1.4.1 Research Design

This is a qualitative research study, appropriate to observe the real activity and lived experience to interpret and make sense of DS (Denzia and Lincoln 2005). Concrete realities, often not of one’s choosing but which are nonetheless those that prevail and must be engaged with, are not indeterminate since knowledge and society are constantly being fashioned by social agents, individually and collectively (Gilpin, 2001).

This research utilises a case study, with the South African DS as the case study to be studied. Approaching it as a case study provides the opportunity to undertake a focused and intensive analysis (Stake 1995). The research is based on information gathered

through in-depth interviews from various sources, covering a broad range of people and entities in society. It applies an evaluation research approach, examining effectiveness systematically and empirically through data collection and analysis (Patton 1990). It focuses on understanding what happened since the policy shift (Bryman 2004) and whether the assumptions held are applicable in the South African context, and the reasons that pertain.

1.4.2 Research Methods

The methods used to gather data in this research include interviews, archival research, review of secondary literature and various digital and social media sources.

1.4.2.1 Interviews

Interviews were used because, as a technique, they are dialogical (Mathers *et al* 1998; 2002) tools for information sourcing, gaining access to thoughts, beliefs, and experiences of research informants (Coughlan *et al* 2009) about what is under observation (Parveen and Showkat 2017). The interviews were collected during the period of the Covid-19 pandemic when Government had restricted movement and face-to-face meetings. All interviews collected by the researcher were virtual, or online, using Microsoft Teams and Zoom. Informants were mostly in their homes, or in a space of their choice, for their comfort. Using virtual methods limited the personal warmth. However, the researcher's personal knowledge of informants enabled trust. The confidentiality that was commonly shared outside of the research space enabled them to speak freely. In doing the interviews, the questions were presented to allow the participant to inform and were then probed where deeper insight was needed. Interviews were recorded and saved via Microsoft Teams, translated later using the Otter translation application and saved on a hard drive, an external drive and Cloud. In only two cases, where the connectivity was weak, and the recording did not function, did the researcher take notes of the interviews. In another two cases the connectivity was static, and both interviews were abandoned. It was later possible to interview one informant, but the other could no longer be secured. Regarding one interview that was conducted, the participant did not send the recording which had been done through their office network. Sections 1.4.3 and 1.4.4 discuss the selection of participants in greater detail.

1.4.2.2 Semi-Structured Questions

Semi-structured interview questions were used for greater exploration of the concept (Parveen and Showkat 2017) using thematic areas. These were adapted in line with the focus area and to speak to the strengths of the participants.

1.4.3 The Research Participants

A cross-section of interviewees participated in the research, selected because of their knowledge and experience on the subject matter and related aspects thereof. Participants consisted of Congress Alliance members, some of whom are retired, and others who work in the private sector, government, the ANC, the SACP and COSATU, and sections of society. Congress participants constituted the primary informants as they would have been in the decision-making and policymaking structures of one or the other or all the tripartite alliance structures. Sampling is discussed in 1.4.4.

1.4.3.1 Demographics of the Research Participants

Demographics are important to determining sample representativity of the target population for purposes of generalisation (Connelly 2013). In the context of this research, while purposive sampling was used, the sample was predominantly male; twenty-eight males (28) and eight females (8). Among the reasons for the imbalance are that, first, politics continues to be dominated by males. This is also the case with the most senior positions in both the public and the private sectors, particularly those in the energy and mining industries, where research participants were sourced. Second, potential female informants who were requested to participate in the research and had agreed, including senior state officials, policy analysts and influencers, “disappeared” without providing the researcher with reasons. Participants were from across the ethnic groups, Africans being majority, to ensure fair representation and broad perspective.

1.4.4 Sampling

Sampling involves selection of units from the identified population to enable generalisation about the results in line with the population (Taherdoost 2016). This research used a purposive sample, preferred to select research participants willing to participate in the study, and with knowledge about the area of research.

Sampling was drawn from the Congress Alliance, the business sector, state officials, academia, and civil society. The participants were chosen from diverse sectors with care given to adequately cover the subject matter and to draw sufficient data (Saunders and Lewis, 2012). Beyond their academic qualifications, the participants had, respectively, extensive experience in dealing with issues of development and matters related to the State, understanding of the social, political and economic situation in South Africa, and the governing ANC. The researcher's interest in the participants was to find out, among other things, what motivated the governing party to adopt DS, how various policies and structures that were proposed or initiated were supported, the extent to which the leadership of State ensured the DS policy course was implemented, and if there is the necessary and required capacity and capability among State officials to do developmentalism, and if there is societal support for DS and meaningful cooperation with the private sector – primarily, to realise the developmental agenda. Table 1.1. below provides the details of the research participants.

Table 1.1. Research Participants

Informant	Sector	Gender	Ethnic Group	Interview Date
ANC NEC, Former Snr State Official Presidency & NPC	Politics & Policy Research	Male	African	20/08/12 20/09/...
ANC, Former NEC & Cabinet	Business	Male	Coloured	20/08/12 20/09/29
ANC Official, Former NEC	Politics	Female	Coloured	20/08/20
SACP/ANC, Former NEC, Politburo & Cabinet	Politics	Male	White	20/08/24 20/09/03
SACP (Politburo)	Politics	Male	African	20/07/22
COSATU (NOBs)	Trade Unions	Male	African	20/09/23
COSATU (CEC)	Trade Unions	Male	White	20/09/14
Former Snr State Official	Academia	Male	White	20/08/06
Director General	Government	Male	African	20/08/17
Former Deputy Director General	Academia	Male	White	20/08/07 22/01/11
Deputy Director General	Government	Female	African	20/08/11 20/08/11
Deputy Director General	Government	Male	Coloured	22/01/18
Deputy Director General	Government	Male	African	22/01/17
CEO, Former Deputy Director General	SOE	Male	African	20/08/01 22/01/11
CEO	SOE	Male	African	22/01/13

Former Head of Strategy, Eskom	SOE	Male	White	22/01/06
Middle Manager, Eskom	SOE	Female	Coloured	22/01/04
Executive VP (SA MNC)	Business (Energy)	Female	African	20/10/23
Managing Director (Intl MNC)	Business (Mining)	Female	African	20/10/22
Executive VP (SA MNC)	Business (Energy)	Male	Coloured	22/01/13
CEO (SA MNC)	Business (Mining)	Male	African	20/07/21
CEO (Business Umbrella Body)	Business	Male	Indian	20/09/10
CEO (Industry Umbrella Body)	Business	Male	White	20/0817 20/08/19
Director of Companies	Business	Male	White	20/...
Expert, Former DG	Government	Male	White	20/08/28
Expert, Former DG & Ambassador	Government/Business	Male	African	20/07/04
Presidential Economic Advisory Council (PEAC) Member	Consultancy	Female	African	21/12/13
NPC Commissioner	Consultancy	Female	White	20/08/11
Managing Director (Intl MNC)	Business (Energy)	Male	African	20/08/24
High Commission (to RSA)	Government (Diplomacy)	Male	African	20/08/05
Editor-at-Large	Journalism	Female	White	20/08/17
Consultant, former Journalist	Business	Male	African	20/08/27
Economist, Government Advisor & ANC economic policy	Consultancy	Male	African	22/01/17
Economist, former journalist	Consultancy	Male	African	20/08/26 22/01/12
Editor	Journalism	Male	White	20/07/20
Head of Business School, Former Business Executive	Academia	Male	African	20/08/25

Table 1.2 below provides a snapshot of the participants drawn from the Congress Alliance. These participants were central to their organisations – that is, ANC, SACP, COSATU – and the State in its different expressions. Among them were experts in specific areas of this study, including participation in key decision-making structures, policy committees and national conferences. These participants shed light on how and why decisions in the party and the State were made, at the same time providing their own critique thereof.

Therefore, the broad spectrum and depth of the participants, inside and outside the ANC, ensured a wider and richer sample.

Table 1.2. Portion of Sample of Congress Alliance, ANC, SACP and COSATU Participants

Participant	Gender	Race	Sector
6	Male	White	Politics
7	Male	Coloured	Government
15	Male	White	Government
16	Male	African	Government
22	Male	Coloured	Private
23	Male	African	Politics
28	Male	African	Politics
29	Male	African	Government
30	Male	African	Trade Unionist
31	Male	White	Trade Unionist
32	Female	Coloured	Politics
34	Male	White	Policy & Research
42	Male	African	Economist

1.4.5 Data Analysis

Thematic analysis is considered a basic method in qualitative research (Saunders *et al.*, 2016: 379) enabling a systematic and flexible approach, is user-friendly notwithstanding the researcher’s viewpoint and data size, and entails rigour. Existing theory and body of knowledge on DS was used as guide to the formulation of research questions and objectives, with consideration given to the South African context. In this regard, an inductive research approach in designing the research was adopted. An iterative process informed the analysis of the interviews and the data collection process. All data collected from the interviews was analysed using Braun and Clarke’s (2006) six phases of thematic analysis, explained below.

- *Phase 1: Familiarising yourself with the data* provides the foundation for the rest of the analysis. It involves immersion in the data to the point of being acquainted with the scope and complexity of the content found within the interviews. The researcher begins by reading and rereading the data, looks for and finds patterns and meanings. These ideas included: Political Leadership, Decision Making, Effectiveness, Society Relationships.

- *Phase 2: Generation of Initial Codes*, where the researcher develops initial codes in a meaningful and comprehensive manner by using NVivo, a qualitative data analysis programme. These codes were associated with interesting aspects of the data used during the study and applied directly to the research topic. The codes were continuously modified throughout the analytical process during which certain codes were disregarded and several others were merged.
- *Phase 3: Searching for Themes* - The researcher analysed the final codes generated to determine which codes presented similarities and sorted these relating codes into potential themes. These themes demonstrated important aspects of the data in conjunction with the research aims and objectives.
- *Phase 4: Reviewing the Themes* - the researcher refined the themes developed in the previous phase.
- *Phase 5: Defining the Themes* - within this phase the researcher defined each theme, and identified and distinguished the essence of what each theme is about.
- *Phase 6: The Report* - Phase 6 began once the coder had a set of fully worked-out themes. This phase involved the final analysis of the data as well as the write-up of the report.

For purposes of this research the themes selected for the thematic analysis discussion were those most used in the literature to characterise DS, covered under overarching themes like state-ideology nexus, that is, ideology, leadership, financial and economic management, design and architecture of the State; and state-structure nexus which is about bureaucracy, relationship with social partners, international. Most of the themes emerging from the process find resonance in these broad themes.

1.4.6 Research validity, credibility, transferability

These factors play an important role in qualitative research as means to convince stakeholders of the worth of the research (Nowell *et al.* 2017), that its conclusions have integrity (Bryman *et. al.*, 2017: 25) and the data generated is both useful and acceptable to a broad range of users (Tracy 2010). It is important that views of participants are adequately captured, whereupon the researcher can interpret them and produce correct

findings to ensure credibility of the research (White *et al* 2012). Other means to ascertain credibility, in addition to a prolonged period of engaging the data during the process of analysis, external verification of the research process, preliminary findings and interpretation, including data and research triangulation were done, as suggested by Tracy (2010). This research can be applied to other environments, given its methodological approach and its generalisability (Tobin and Begley 2004; White *et.al.*, 2012; Coghlan and Brydon-Miller 2014). Data has been documented and properly saved for tracing and auditing, for dependability to enable further investigation and confirmation of research findings.

1.4.7 Ethical considerations

Social research should be guided by ethical principles, that is, should not harm participants; should include their consent based on proper information; should not undermine individual privacy and should not be deceptive (Bryman, 2004; www.hsrc.ac.za). The researcher's context, ideological perspective and experiences influence the research, as noted by Bryman (2004:517): "the social researcher is never conducting an investigation in a moral vacuum – who he or she is will influence a whole variety of presuppositions that in turn have implications for the conduct of social research". This was considered given the participation of the researcher in the Congress Movement and current professional position as Chief of Staff in a Government Ministry. Participants were cognisant of this reality. Furthermore, in conducting the research, the UCT policy on ethics was adhered to. In the case of material not in the public domain, for example, minutes and/or archives, verbal and written consent was obtained to access and use key resources for purposes of the research. This was the case with accessing specifically DMRE and, broadly, government documents.

1.4.8 Positionality

The personal position of the researcher about this research was that of an insider-outsider. The insider view derived from time as a member of the ANC where the researcher has worked as a senior official in the office of the Secretary General (SGO), which provided access to all the leadership, various organs, and meetings – including Alliance Councils and Summits, nationally and internationally, and documents of the

party. The researcher also worked as a senior official in the ANC Parliamentary Caucus, and at present occupies a position as a senior official in Government. The researcher has also worked in the trade union movement, specifically the National Union of Mineworkers (NUM) as a senior official, which provided exposure to COSATU and its various formations and meetings, CC, CEC, and Congresses.

Drawing on information as both an insider and outsider (Dwyer and Buckle 2009), the research is a collaborative engagement aimed at developing a collective consciousness of challenges and mapping out transformative approaches, which is an important element of social research (Freire 1972). To be certain that objectivity was maintained, the researcher took care to distinguish the personal and interpretative ability in the research to provide enriched and varied dimensions to situations, words, and actions (Saunders *et. al.* 2016), as well as being cognisant of how individuals make sense of their environment including how preconceptions should be excised in the grasp of such a context (Bryman 2004: 13).

1.4.9 Limitations in the research

The Covid-19 pandemic was both an enabler and an inhibition. The Covid restrictions enabled interviews to be conducted virtually since all participants were relatively easily accessible online. The converse was that physical face-to-face interaction could not happen. This was to some extent mitigated by the fact that the researcher was familiar with most of the participants, and participants were overextended due to numerous virtual meetings, thereby leading to time constraints. A combination of time constraints, technical challenges related to the network, and intermittent electricity supply (loadshedding) were some of the challenges. Some of the recordings were inaudible due to bad network and blackouts and these had to be discarded, resulting in rescheduling interviews. For some of the key informants, where initial recordings had been “lost”, re-recordings were done. In addition, with the assistance of a technical expert, previous recordings were retrieved from computer servers.

It proved challenging to secure women participants for interviews, particularly analysts and senior management officials in government. This challenge applied even in cases where the individuals were known to the researcher or had worked with them.

To avoid an imbalance in relation to the participation of female participants, especially those identified as critical, the researcher solicited assistance of other women who were close to them. This approach was, in some cases, beneficial.

A major limitation is the fact of the ANC not signing off on the request for access to information, specifically NEC and NWC meetings and the party's surveys, because of challenges related to the Office of the Secretary General (SGO). In this context, the researcher relied on information available in the public domain that was both relevant and closest in content to material that could be utilised.

The researcher's position in government, being in the ANC, and having worked within the Congress Alliance for years, was an asset rather than a drawback. It motivated participants to be more open while allowing the researcher to probe pertinent matters.

1.5 CHAPTER OVERVIEW

Chapter One, the introduction, provides background information in relation to DS. In this regard, it highlights some of the main issues around the DS discourse, and flags challenges for doing DS in the 21st century, and specifically in South Africa. It highlights the motivation for the study and presents the rationale thereof. It clearly states the research aims and outlines the specific objectives. In addition, it provides the reader with a helicopter view of the research plan and structure.

Chapter Two provides the context in and into which South African developmentalism occurs. It offers the historical context, the political economic perspective, the domestic and global dynamics that impacted South Africa's political settlement, and the influences about the state on the ANC that inform later developments. It shows how, despite the post-apartheid State's investment in capabilities, societal transformation remains elusive.

Chapter Three presents the theory, examines the evolution and discourse of development and how these impact on present day discussions. The chapter introduces DS, which is the framework for analysis in this research, arguing that the state is

integral to economic development, with attention given to the interplay between developmental structures and the developmental role (Vu 2007), embeddedness (Evans1995) which comprises “socioeconomic coalitions, political institutions, and public profiles” (Pempel 1998:14) that enables it to fulfil a larger mandate. The chapter addresses some features of DS, among them ideology, leadership; bureaucracy and state-society relations.

Chapter Four is the first chapter of the literature review, focused on a global comparative experience of DS. It confirms that developmentalism is not confined to developing countries (Williams 2014). Global experiences of DS, particularly their emulators in the Global South, differ from the most known East Asian model. It links to chapter 3, highlighting that state intervention was dominant post-World War 2 until the dominance of neoliberalism in the latter part of the 20th century, coupled with the collapse of the USSR.

Chapter Five is the second chapter of the literature review. It focuses on practice of developmentalism in South Africa, proposing that it is not a new experience but one that has gone through three experiences: racist state-led developmentalism, an absent state doing developmentalism only through capabilities, and return of the State in a neoliberal and regulatory environment. It advances Jayasuriya’s (2001) idea of continuity and discontinuity of the different periods of South Africa’s development trajectory.

Chapters Six and Seven are the empirical chapters. The interviewees highlighted that there are serious constraints that stunt the developmental agenda. Chapter Six focuses on the challenges around ideology and leadership. It highlights that despite the policy shift after 2007 there were challenges in its implementation due to, among others, ideological fissures in the governing party, global financial crisis, inability of the state to fund its development agenda, and misalignment between aspects of the policy shift and the legislative environment. In terms of leadership, it shows that weakness in The Presidency and in the ANC contribute to fragmentation and inability to take advantage of the societal consensus on developmentalism.

Chapter Seven highlights the constraints around the capacity and capability of the state; that is, the state-wide coordination, planning and implementation, professionalisation of the public service and embeddedness. It raises the challenges of the state's lack of a mechanism to coordinate, plan and implement at a state-wide level, hence the lack of coherence and synergy between departments and in policy, and the mismatch between the vision and resource allocation; trust deficit in the relationship between the State and social partners, and the challenge of corruption that threatens developmentalism. In terms of the public service it proposes, among the challenges, that although there is capacity and capability in the State, it lacks a developmentalist mindset and exposure to the workplace to be effective and develop adequate policy.

Chapter Eight, flowing from chapters six and seven, suggests that South Africa is a developmental state in the making, with both advances and setbacks (Maphunye 2009) and with real potential given the available resources. However, there is lack of synergy and coordination, with corruption emerging as a threat to developmentalism. It aligns with what is highlighted in chapter one, namely that developmentalism does not come to pass from mere pronouncements (Edigheji 2010), but it also cannot be dismissed as impossible merely because of prevailing contradictions, particularly in an African context as that of South Africa (Mkandawire 2010).

Chapter Nine presents the findings, conclusions and recommendations. It proposes that challenges facing the development of the South African DS are not unique to the country when compared to most countries of the Global South. South Africa, like other developing economies seeking to industrialise, confronts an unpredictable global environment characterised by re-alignment in global power structures, pandemics, environmental imperatives and conditions still unfavourable to developmentalism. Added to these are internal challenges, as highlighted in the previous chapters, which present a situation of a state ideologically committed to developmentalism but without a clear strategy and approach to achieving it, as Evans (2014) argues about the Global South. Complexities, do not, however, preclude the development of DS as Chang (2010) intimates, nor do they suggest a powerless State in the face of global challenges (Weiss 1999).

CHAPTER 2

THE HISTORICAL, POLITICAL, SOCIO-ECONOMIC CONTEXT AND CONTENT OF SOUTH AFRICA'S DEVELOPMENTALISM

2.1 INTRODUCTION

The purpose of this chapter is to provide a context to the perceptions and perspectives of the main protagonists in the South African situation as well as the context within which they emerged and occurred. The intention is also to provide a historical overview within which to locate the South African developmental state and its discourse. Historical events are considered to re-evaluate our conception of history and the economic and political developments thereof (Williams 1944: vii). The chapter approaches history with a political economy framework, to enable a link between politics and the economy. This ensures a holistic view about the nature of the State and understanding of the political underpinning of the economic policies implemented (Gumede 2015). By being contextual, the intention is to gain a better understanding of the milieu to develop an appreciation of the domestic and global dynamics at play at the time. This provides insight into the political settlement that birthed the prevailing developmental mindset and practice. Contextualisation, as Williams (2014) and Booth (2015) notes, is central to understanding the political outcome.

This chapter, therefore, presents an overview of South Africa from pre-colonial era to the present day.

2.2 THE STATE IN THE COLONIAL AND APARTHEID PHASES

Mining was the bedrock of South Africa's economic development. Therefore, its capitalist formation and accumulation emerged through the mineral-energy-complex (MEC) (Fine and Rustomjee 1996). Through mining, and unique to South Africa,

colonialists established themselves permanently in the country and effected phenomenal, but brutal, economic changes (Boahen 2003:183; Allen 1992).

The sole focus of the imperialist era on extractives industries was to prop up the Crown and reproduce white enclaves or *Neo-Europes* (Acemoglu *et al* 2001:1370) coupled with, at least in the early stages, deliberate disregard of the imperative for capitalist accumulation and formation in the colonies (Freund 2007). Annihilation of cultures, traditions, and structures of pre-colonial South Africa (Jordan 2010; Pampallis and Bailey 2021) provided impetus to the racist *terra nullius* doctrine, discovery of an empty land (Mallet 2020:271). This provides background to understanding the political institutional challenges still encountered by the country today.

The imperial era's exclusionary racist policies found political expression in the 1910 Union of South Africa, an Anglo-Boer settlement after the Anglo-Boer War of 1899-1902 that disenfranchised the majority (Marks 2009), cemented by the 1913 Land Act (Plaatje 2007:21). Herein lies the core of the thesis of colonialism of a special type (CST), that is, a situation of the colonised and coloniser occupying the same territory (Webster and Mawbey 2017:1), the coloniser at the core and colonised in the periphery (Cronin and Mashilo 2017). This contributed to a complex relationship between the national and class struggle, class division inside the dominated and the dominant groups, national fragmentation and a minority ruling class (Slovo 1988:33), that is, Jordan's (2019) national question discourse.

The apartheid state that emerged after the 1948 electoral victory of the National Party used state capacity and capability to advance Afrikaner development (Giliomee 2003; Freund 2007; 2013). Afrikaner economic progress and capitalist formations in agriculture, the financial sector, steel, and manufacturing industry, largely developed on the back of MEC with cheap electricity from coal mining (Christie 1984; Clark 1994; Feinstein 2005). Critically, however, the apartheid state possessed characteristics of DS with its interventionist approach (Freund 2007; 2013). Contradictions had begun to manifest at the height of the pre- and post-World War 2 manufacturing boom that led to the influx of the black people into towns and cities. Urban black slums emerged on the back of a racialised labour market (Wolpe 1972;

Limb 2010) and a reluctant apartheid social policy (Duncan 1993; Posel 2005) that developed an inadequate social and physical infrastructure for the majority (Freund and Padayachee 2021:62), including restrictions on a potential African economic class thought to threaten Afrikaners (Rich 1978).

2.3 THE STATE IN TRANSITION

South Africa's transition occurred at a confluence of events that provide context to the post-apartheid political settlement. The domestic political context comprised a combination of an overhaul of apartheid and an awareness of the political economic reality, thereby contributing to contradictions inside the liberation movement (Habib and Padayachee 2000: 246) and related events. Perspectives in the early 1990s favoured replacement of the apartheid State with an interventionist state focused on a new growth path to ensure high growth and poverty eradication, and thus different from a trickle-down approach (Institute for African Alternatives, IFAA 1993:32). There would be a public investment growth path with the participation of the private sector, commensurate to its capacity (MERG 1993), anchored on industrial policy (COSATU 1996). Although the East Asian model influenced the ANC it was disfavoured because of its authoritarian elements (ANC 1996). The outcome about the type of State was complicated by differing perspectives in the Congress alliance about the transition (Cosatu 2002; SACP 2002; ANC 2002). The ANC conceived the liberation movement to be almost at the mercy of the capitalist system that enjoyed "dominant sway over virtually the entire globe" (ANC 2002:7-8). Hence an incoherent approach during negotiations, perceived by some as an imposed relationship of "cooperation and competition" (Jordan 1992; ANC 1992). In the end, the radical outlook that had informed the ANC would be watered down, resulting in what Habib and Padayachee (2000: 245) called an orthodox neoliberal economic programme.

During the transition to democracy, according to Meredith (2006:649), the ANC did not find the "*economic cornucopia*" on which it had premised its development goals. The Transitional Executive Committee (TEC)⁵, entered into a loan agreement with the

⁵ The TEC was a multiparty body, led by the ANC and NP, established in 1993 to prepare transitional arrangements from apartheid to democracy, and the first non-racial and democratic elections in South Africa.

International Monetary Fund (IMF), committing the future government to prudent fiscal policies (Mboweni 2004). Herein is Terreblanche's (2008: 15) claim of the elite pact that tied the post-apartheid state to a neoliberal macroeconomic policy framework. Padayachee and Van Niekerk (2019) however suggest that, instead of a secret deal, the ANC was outwitted by the Nationalist Party on economic matters.

South African capital, especially monopolistic capital, had remained strong although impeded by both the apartheid financial controls and the global sanctions (SACP 2013). This provided it the opportunity to influence the negotiated settlement and leverage the personal interactions it developed with ANC political elite, benefitting it in terms of post-transition concessions and end of sanctions (Makgetla and Shapiro 2016; Michie and Padayachee 2019). Arising from this environment were different disclosed and undisclosed economic and political coalitions (van Wyk 2009). Existing capitalist formations, therefore, were unhindered by the transformation but sought international exposure (Freund and Padayachee 2021; Hirsch *et al* 2021), thereby becoming a partner or hindrance to the developmental agenda because of its pursuit of its narrow selfish interests (Chang 2010; Fine 2010).

Consequently, although the democratic State in 1994 ended four systemic periods, between 1652 and 1994, of dominance over political and economic decision-making, first by the English, then by the English and Afrikaner, the preservation of Anglo-Saxon interests evolved into cooperation between the black political elite – previously excluded, then seeking economic changes; and the mineral-energy-complex (MEC) that owns and controls the economy but is without political power (Mbeki 2009; Terreblanche 2012: 40). This created two centres of power, that is, the political and the economic. The political was unable to implement the developmental agenda due to lack of resources and economic leverage. This was the case from 1994 and was complicated by the Asian financial crisis and other changes in the global market (Bowes and Pennington 2002; Manuel 2002; Hirsch 2013; Mbeki 2016 1&2). The political appetite of the state for radical changes was tempered due to fear of a negative reaction that would cripple its political hold and collapse the economy of the country,

as evidenced with the mooted 51% black ownership of mines in the mid-2000s, that eroded the country's economic wealth (Mbeki 2009: 82-83).⁶

In the context of drafting the democratic constitution, the negotiated settlement kept the South African Reserve Bank (SARB) independent and, together with private property laws, these were written into the Constitution (Klein 2007: 2002). The former would impact the mandate of the SARB and limit its focus to price stability. The latter would constrain the ability of the state to distribute land for development purposes. However, Moseneke (2016) contends that since 1994 the political elite lacked both the will and courage to assert the potential for development and transformation inherent in the Constitution. Later he also intimated that the drafters of the Constitution had to amend it after the apartheid leaders threatened that the apartheid army generals would reject a more radical document (Moseneke 2021).

Globally, the collapse of the liberation movement's strategic global superpower, the Union of Soviet Socialist Republics (USSR), created conditions where, for Mbeki and Morwe (2012), the United States and Great Britain sought to defend and advance their interests while the crumbling USSR stood as the guarantor of the liberation movement in the negotiated settlement, and as security for its own dividend to the contribution it made to the South African liberation struggle. At the same time, the collapse left the ANC and its allies without a model for development (Sachs 2007).

The negotiated settlement also converged with the change in the global trade regime, shifting from the 1947 General Agreement on Tariffs and Trade (GATT) to the launch in 1995 of the World Trade Organisation (WTO), on the eve of the democratic Constitution, as Steytler (1999) demonstrates. The National Party (NP) government liberalised gradually from the 1970s, when the Rand depreciated, leading to a gradual shift to exports and a call to remove certain tariffs (Reynders Commission 1972; Bell 1993). Towards the 1980s, against sanctions and international pressure, the state was under pressure from business that wanted to expand internationally (Freund and

⁶ Around 2003/4 in the process of negotiating the first Charter policymakers in the Department of Mineral Resources mooted including 50% ownership of mines by Blacks, which rattled the markets. The Mining Charter Impact Assessment Report, October 2009, even noted that the "Gross Fixed Capital Formation (GFCM) in the mining industry declined by respective 20 percent and 12 percent in 2004, due to uncertainty of the introduction of the Mining Charter" (20)

Padayachee 2021). Some of the protective measures in the wine industry, for example, had deprived it of exposure to competition and the global markets (Woods and Haines 2014:1368). It therefore eased some economic restrictions (Hirsch *et al* 2021), including trade tariffs. The post-apartheid government had been overtaken by these actions (Cheru 2001), including by the Uruguay Round that constrained trade and industrialisation in the post-apartheid era (Keet, n.d). However, the democratic government went further with greater easing of trade tariffs and relaxation of exchange and capital controls (Hviding 2005: 137-8).

2.4 THE ANC THINKING ABOUT THE STATE

Since the founding of the ANC in 1912, its African elite leadership had been committed to development wherein it advocated for inclusivity for a prosperous society (Seme 1906) that would be “transformed into a land of commerce” and “take a place as a nation among nations” (Dube 1892). These early African nationalist elites were also inspired by Christianity (Luthuli 2006; Mashamaite 2011; Hughes 2011; Erlank 2012). The ANC was later radicalised by the working-class and student struggles during the national liberation struggle, and these led to differences (Callinicos 2004; Shubin 2008; Limb 2010; Nieftagordien 2012) yet to be resolved (Suttner 2007; Gumede 2005; Macmillan 2013). Emerging from this, besides the common-yet-divergent learning environments, there was also divergence in leadership, notwithstanding the significance of the imprint of Oliver Tambo on the organisation from his thirty years of leadership (Jordan 2007).

The motivation was the establishment of a united, non-racial, non-sexist, democratic and prosperous society. This is captured in the Morogoro S&T (1969) and other ANC policy documents, such as the African Land Claims, the Freedom Charter, and Ready to Govern (ANC 1992). There were differences on the nature of the post-apartheid State as reflected in the discussion documents, that is, ANC’s *State and Social Transformation* (1996), Netshitenzhe’s *State, Property Relations and Social Transformation* (1998) and Mokaba’s *State and Social Transformation observations on the South African developmental state* (2001). Table 2.1 below presents the main characteristics of the debates.

The discussion document of 1996 advocates a *regulatory* democratic State that will eradicate apartheid through economic and social transformation. Therefore, the need was for rationalisation in the public service and training of skilled bureaucracy for the new mandate. State-society relations, needed for development and transformation of society, is the “proverbial golden triangle” (1996: 17) between the working class, business, and state. Relationship with the *working class, not organised labour*, is a clear shift. It introduced Black Economic Empowerment (BEE) which it spelled out as *the creation of a black bourgeoisie* (1996: 19) to be supported by national and international capital based on a globalised environment in which both capital and the democratic State must operate. Notably, BEE – as clarified in the paper – differs from Broad-Based Black Economic Empowerment (BBBEE), because the latter refers to communities. It also argues for *prudent use of public accounts*. According to Qobo (2014), it advocated for liberal democratic welfarism, thought to be a liberal, modernising agenda, less state-centric, private sector friendly, balancing interests of the marginalised and highlighting positive attributes of globalisation.

According to Netshitenzhe (1998) the State was about governing the markets and pluralistic and rights-based democratic society with direct citizen participation in its own empowerment. Governing the markets is viewed using regulatory frameworks and other measures, to obviate market failure, and to enable the State capacity to proactively intervene to facilitate growth and distribution. As it notes,

the fiscal and monetary policies it pursues should not only be mutually consistent, but also help facilitate its prime objective (1998: 85).

This paper resonated with the Left in the Alliance because of its perspectives on the economy and emphasis on strong relations with labour.

Mokaba’s (2001) contribution closely reflected the Asian DS model in certain key aspects. First, it strongly advocates state coordination – especially at local government level. Second, it emphasises the need for a highly skilled and qualified bureaucracy, subordinated to political direction, to address national challenges. This point will be picked up in Chapter 3, when discussing features of DS.

Mokaba (2001) and the ANC (1996) converge on prudent budgeting, disciplining labour and on globalisation. Netshitenzhe (1998) leans on disciplining capital. All three papers also converge on the provision of quality basic service and infrastructure development for all of society by the State; a regulated State, which for Netshitenzhe and Mokaba is a tool to govern with, but the 1996 document considers it as the state's character. Netshitenzhe and Mokaba converge on active citizen participation in its own empowerment, whereas the ANC (1996) implies action by the State. Critically, Mokaba argued that the absolute majority the ANC enjoyed at the time enabled it to implement these and other radical changes. This, however, did not happen nor were the proposals Netshitenzhe made implemented. Ideas encapsulated in the 1996 discussion document dominated.

There are other ANC policy discussion documents. These three illustrate East Asian and corporatist, influences in the organisation, as well as the ideological contestations. Corporatist elements showed in the advocacy for inclusion of labour and business in policy based on common interest, Critically, the radical propositions in the Netshitenzhe and Mokaba papers, like the MERG, have been ignored either due to lack of political will (Moseneke 2021), or naivety (ANC 2007), or undisclosed economic coalitions (Van Wyk 2009). ANC leadership at the time would have preferred subjugating labour. It was also too convinced of the power of capital, while trying to woo at the same time.

Table 2.1: ANC discussion papers on state and transformation

Topic	Content		
State – type and purpose	Democratic (1996)	Developmental (1998)	Developmental (2001)
Character and focus	<ul style="list-style-type: none"> ○ Economic and social transformation ○ Rights and full participation 	<ul style="list-style-type: none"> ○ Redistribution of wealth in favour of poor & disadvantage through use of state resources ○ Democratic principles ○ pro-active citizenry to improve own lives 	<ul style="list-style-type: none"> ○ Authority & leadership of state ○ growth and development ○ coordination, planning and governance ○ Justice & human rights ○ pro-active citizenry to improve own lives
	Regulatory: adhere to legislation, international protocols; watch capital's wish for apartheid privilege	Regulate to obviate market failures	Regulatory in relation to creating balance between urban & rural development, and urban renewal & township development – amenable to 'social engineering'
Economic and financial management	<ul style="list-style-type: none"> ○ Monetary and fiscal policy, as per regulation ○ Broad participation in economy - deracialisation ○ Encourage national & international capital to create BEE ○ Prudent use & management of public accounts ○ Use budget to balance consumption & investment ○ Use SOEs 	<ul style="list-style-type: none"> ○ Mutually consistent fiscal & monetary policy, and use policy to obviate market failure ○ Coherence between monetary policy, economic revival & development ○ Expand space for lending state institutions ○ Regulatory mechanism to rationally allocate private capital for productive purpose ○ Integrate social capital, e.g. cooperatives, stokvels, into economic planning ○ Use SOEs in economic development 	<ul style="list-style-type: none"> ○ Fiscal discipline and macroeconomic stability ○ Enable access to finance by the poor ○ Use of SOEs ○ State to directly create BEE
Public service	<ul style="list-style-type: none"> ○ Reorientation for new situation ○ Rationalisation ○ Training & skills 		<ul style="list-style-type: none"> ○ Economic bureaucracy – competent, integrate planning, budgeting & personnel, deal with non-economic matters ○ Development elite – close to head of state, state planning & coordination capacity ○ Autonomous but not independent of politics ○ Improve governance all three tiers of government
Policy - industrial and social	<ul style="list-style-type: none"> ○ Develop managerial skills ○ Accelerate human resource development ○ Investment in modern technology ○ Infrastructure development 	<ul style="list-style-type: none"> ○ Industrial policy, and direct capital to critical sectors ○ Provide opportunities for aspirant black capitalists to encourage expansion of markets ○ Labour market policy to prevent super-exploitation, encourage workplace democracy, encourage skills development and technology transfer ○ Combine state capital & social capital to transform property relations ○ Infrastructure development 	<ul style="list-style-type: none"> ○ Select individuals for deployment in private sector ○ Localisation or "internalisation" for domestic ownership & skilling ○ Technology development ○ Agrarian & beneficiation programmes in village communities with their involvement, not chiefs ○ Poverty reduction & develop safety net ○ Investment in education ○ Infrastructure development
State-society relations	<p>Cooperation & coexistence with capital on defined, common & mutually beneficial interests</p> <ul style="list-style-type: none"> ○ "proverbial golden triangle" - state, capital & working class for transformation & development ○ Discipline labour 	<ul style="list-style-type: none"> ○ Develop relations with labour and capital 	<ul style="list-style-type: none"> ○ Social pact between state, capital & labour ○ Relationship with labour on common political platform ○ Industrial action and economic boycott are discouraged ○ State leads and is authority that guides & direct development
Global understanding	<ul style="list-style-type: none"> ○ Regional integration – trade, development, to attract investment, to increase collective bargaining power in international relations & on economic issues ○ Insertion into globalisation – trade liberalisation, competitiveness, free capital flows, foreign investment ○ Multilateralism – global rules & protocols, influential role player 	<ul style="list-style-type: none"> ○ Regional integration & cooperation to influence global economic relations ○ Technology transfer for comparative advantage on trade, combine market & productive forces, prudent use of conditions & resources, & exploit beneficial international factors ○ Multilateralism and solidarity – reform IFI ○ Manage capital flows 	<ul style="list-style-type: none"> ○ Regional integration ○ Multilateralism and global solidarity ○ Attract foreign investment ○ Attention to ratings through improving political stability ○ Pay attention to attitude of capital to state ○ Be cautious of global mass culture

Source: Moferefere Lekorotsoana

2.5 THE POST-APARTHEID STATE: TRANSFORMING SOCIETY

The state repealed apartheid legislation for nation-building and social welfare to ensure economic development and growth, as well as inclusion. Therefore, two dominant economic development models, that is, welfare and the development state (Luiz 2002:138), with welfarism focused on developing capabilities to uplift the majority (Manuel 2004; Mbeki 2006).

Some authors (Bond 2000; Harvey 2005; Pillay 2007; Terreblanche 2008; Fourie 2017; Fourie 2022) argue that the post-apartheid South African State has been neoliberal, that is, it minimises the role of the State and elevates the business sector in the economy. However, as Ferguson (2009: 170-1) articulates, it is possible for a State – like South Africa, Brazil and India, to pursue neoliberal macroeconomic policies and investing substantially in social spending. This reflects divergence between policy practice and the doctrine of neoliberalism.

The Economy, Sectors and Employment

According to Qobo (2014), South Africa in 1994 was reflective of an economy emerging from a recession of three-and-a-half years, following a decline over three decades. The economy post-1994, according to Studies in Poverty and Inequality Institute (SPII) (2022:9-10), reveals that application of contractionary macroeconomic policies led to a decline in GDP growth and increased unemployment, but when expansionary macroeconomic policies were introduced, GDP growth increased, and unemployment declined. This, the report adds, correlates with the continued decline in public sector investment, other than marginal investment during the expansionary period. This leads to Hemson and O'Donovan's (2006:39) contention that, however much progress may be made in various aspects, substantial change to budgetary allocations for infrastructure is an imperative to accomplish social goals.

The 2006 economic growth, reminiscent of the 1980s, resulted from the commodity boom that was driven by China's industrialisation (Sachs 2021) and credit-finance consumption (Tregenna 2012:164). On the back of this growth, after the Polokwane policy change, Zuma's administration committed to "achieve visible and *tangible*

socio-economic development” (Zuma 2009). However, the immediate challenge for the administration was the 2008 global financial crisis (GFC) that adversely impacted the economy, affecting credit, manufacturing and employment (Patel 2009; Rena and Msoni 2014), resulting in a recession for the first time in 17 years (Ngandu *et al* 2010:1). This saw a 43% drop in the value of the Rand in 2009 and ten years later, according to Kantor (2017), the effects of the global crisis were evident in the decline in value of government and corporate debt, high inflation and interest rates, including that of the South African government held in global financial institutions in industrialised countries. This was followed by the economy being further undermined and resulting in junk status during the Covid-19 pandemic in 2020, evident with a -6% contraction in 2021 (StatsSA 2021; Fengler *et al* 2021). Beyond 2021 the economy has been further crippled by the internal energy crisis that has reflected in the 1.3% GDP decline in quarter four of 2022 (StatsSA 2023).

High growth and economic progress declined after the 2010 World Cup infrastructure investment owing to lack of labour absorption (Sulla and Zikhali 2018). The authors noted that, among others, this was due to low levels of education coupled with limited skills and rigid regulatory framework in the labour market.

Labour market and income

The South African Survey 2004/05 (Cronje 2006) showed good progress between 1995 and 2004, in the areas of housing – 2.4m increase, and access to electricity – from 42% to 49%. It also highlighted an imbalance between transformation and population development. For example, there was less progress in the areas of access to clean running water – 33% in 1995 and 23% in 2004, and sanitation – 22% in 1995 and 21% in 2004. Related, compared to 75% of white households in the higher income groups, 75% of African households were in lower income groups. In addition, the 75% of white income derived from wages and salaries whereas for African income, half was from employment and the rest from grants and remittances. As the UNDP (2003) noted, while incomes of the African majority increased so too did inequality. Quarterly Employment Statistics of Quarter Four (StatsSA 2021) shows an increase of R44.3 billion, 5.7%, in employee earnings between September 2021 and December 2021, from R783.0 billion to R827.3 billion.

Unemployment has been on the rise coupled with the increased informalisation of work in the formal and informal sectors (Altman 2005, 2013; Makgetla 2006). The post-Covid survey confirmed these trends and points out that, first, unemployment increased by 0.4% since the fourth quarter of 2021, and second, that an increase in employment was in the non-formal sector of the economy (Q4 StatsSA 2021). Overall, the economy lost a total of 1.8 million jobs in the community and services, manufacturing, and trade sectors in 2021, which was higher than in 2019 (StatsSA/SARB 2021). A critical challenge about employment trends is that firstly, there is an imbalance in the supply and demand of labour, that is, while the labour force is growing the employment prospects decrease (Bhorat 2005; Goldman Sachs 2013). Secondly, the labour market has not absorbed the semi-skilled and unskilled, but rather favours skilled personnel (Bhorat *et al* 2021; Branson and Lam 2021).

Underlying these is the structure of the economy. Traditional sectors, such as manufacturing, normally associated with high employment and considered drivers of industrialisation (Tregenna 2008; Bell *et al* 2018) have been in decline since democracy, and when compared to the apartheid era (Chang 2019). The service sector, however, has evidenced growth. This attests to de-industrialisation of the economy, moving away from factory employment to atypical workplaces and fragmented services (Tregenna 2013:1373), which can be attributed to hasty liberalisation by the post-apartheid government (Keet, n.d.). The decline in agriculture, from 4.2% in 1994 to 1.9% in 2019, and manufacturing, from 19.3% to 11.8% 1994, reflect a global trend, when compared to China, India, and Malaysia (Tregenna *et.al.*, 2021:8). While this is the case even with South Korea, Asian countries have continued to match such decline with improved technological skills and efficiency (Rodrik 2022). Therefore, technological upgrade and innovation are important factors to ensure growth (Tregenna *et al, op.cit*), and are key in subsectors for learning and capacity building at local firms (Tregenna 2012).

Social Policy

The State has continued to invest heavily in the social wage. Around 18 million citizens in 2023, compared to 2.5 million in 1999, were on social grants, something

that benefits society (Ramaphosa 2023). Improvements were in the provision of access to basic services and utilities and the expansion of social security in terms of social grants, housing, and infrastructure (Francis *et al* 2021:100). The General Household Survey (StatSA 2016; Presidency 2018) revealed significant improvements in these areas, including in areas of permanent ownership in proper housing, life expectancy, increase in schooling and related support like nutrition. However, according to SPII (2022), informal housing has been increasing alongside provision of housing by the state.

Koelbe (2018:5) argues that, since “well over 60% of the population” depends on State welfare, these citizens are “almost totally de-coupled from the economic system” (op. cit.). This disenfranchisement of the majority, for Levy *et al* (2021:1) was due to a “disruptive collision” between the country’s strong political institutions, rule-based, and economic inequality. As they argue, in an ideal environment, institutions and ideation should reinforce each other to engender economic development, whereby institutions ascertain that mutual agreements will be enforced and monitored, and ideas inspire collaboration and common pursuit of shared outcomes.

The revenue base of the State, counterposed with social wage, presents a dire reality. Extrapolating from the 2022 National Budget⁷, 608 000 economically productive citizens paid R310 billion in taxes, meaning, one percent of 62 million citizens contributed fifty percent of the R587 billion in personal tax (Rose 2022). Even the Social Relief of Distress Grant announced during Covid was funded from cuts in other areas of spending and through tax revenue which was bolstered by the mining industry (Omarjee 2021). It is unsustainable and demands urgency since economic forecasts are that GDP growth will continue to perform below par, and not in line with the population (IMF/SARB 2022). Furthermore, South Africa is projected to perform below other Sub-Saharan countries (IMF 2022). These factors bolster Mbeki’s (2012) claim that Government’s investment in the social wage has been driving consumption and not ensuring investment in the productive capacity of the economy. Unfortunately,

⁷ The South African state derives tax revenue from different sources, such as, company income tax, personal income tax, value added tax, other levies and taxes. Their contributions vary in different years. For example, according to Statistics South Africa (StatSA) October 2023, in the 2021/22 financial year, contributions were: personal income tax 35%, value added tax 25,0%, company income tax 20,7%, and other levies and taxes 18,8%. Mining and Manufacturing company income tax contributions: Mining R31billion in 2021, R12 billion in 2023. Manufacturing 37% in 2015, 17% in 2021, 20% in 2023.

government efforts are merely aimed at debt management and curbing expenditure (Ramaphosa 2019) without serious and urgent economic investment (SAICE 2022).

2.6. CONCLUSION

Past legacies have continued to prevail in democratic structures still under construction, as acknowledged by Seekings and Nattrass (2005) and Tregenna *et al*, (2021), and did not evaporate with the transfer of power to the majority (Qobo 2014). Therefore, disillusionment emerges when new crises post-Covid 19 emerge, noted by Motlanthe (Mkokeli and du Plessis 2022).

Notably, due to the deliberate interventionist role of the apartheid State, the post-apartheid governments inherited a strong architecture and institutions for developmentalism. The challenge was how it would utilise these to achieve its own developmental goals.

The issues highlighted in this chapter will be further examined in chapter five, where contrasting approaches and thinking to developmentalism before and after apartheid are discussed, as well as continuities and discontinuities between periods before and after 2007 when DS was adopted as state policy.

CHAPTER 3

THE DEVELOPMENTAL STATE: A CONCEPTUAL FRAMEWORK

3.1. INTRODUCTION

This chapter discusses the concept of DS. It provides a general introduction of the development discourse to elucidate its rationale. Discussion on DS is presented to demonstrate its link to, as well as its departure from, the evolutionary idea of development associated with Westernisation. Global developments in the latter part of the 20th century and early 21st century have re-introduced the debate on the role of the State in economic development (Johnson 1982; Castells 1992; Evans 1995, 2010; Chang 1999; 2010; Wylde 2018). In this context, this chapter also aims to highlight characteristics of DS. It further proposes, and provides reasons thereto, that DS is a useful tool of analysis and response to challenges facing countries like South Africa.

3.2. THE CONCEPT OF DEVELOPMENT

3.2.1 What is Development?

The concept is associated with the theory of evolution (Durkheim 1893/2013), progressing from traditional to advancement (Rostow 1960), that is, leading to progress (Hout 2016). In this sense, development is at each step, in large scale and minute parts (Hirschman 1959). Its lack of precise definition makes it fluid and elusive in its application (Tipps 1973).

Lewis (1955:11-43) conceptualised it in industry terms by linking it to growth, suggesting economic growth was contingent on knowledge and capital formation. In this application of economisation, it is about ability to innovate and facilitate social mobilisation. Rostow (1960) built on the idea of growth and suggested economic change to undergo five stages of growth, which he suggested should be anchored on a dynamic theory of production. He contradicts Marx's (1848; 1996) view of politics,

that social organisations and culture are superstructures that derive from, and are established on, the economy. According to Rostow, for economists to comprehend societal reality they need to integrate cultural, social, and political factors in their analysis, instead of their limited mathematical outlook. He drew from classical economics and Keynesian macroeconomics and from Schumpeter's (1912, 1934; 1950) entrepreneurship as the motivation for growth, wherein the innovative individual involved in business would be capable of whatever invention contributes to their personal gain. Therefore, as Landreth and Colander (2002) suggest, this leads to economic growth at societal level.

Thomas (2000) offers three ways to consider development: firstly, as a vision marking what pertains and what is desired or what people or institutions aspire to and strive to reach as the ideal compared to present reality. Secondly, as an historical process of social change in which societies are transformed over long periods. It is therefore logical to conceive of the interconnectedness between obstacles to change and perception thereof, as Hirschman (1968:926) intimates, hence the necessity to recognise that change is pervasive, and not limited only to the reduction of per capita income gap between the rich and poor nations, or when there is redistribution in power and wealth because of revolutionary change. Thirdly, it may be considered as deliberate efforts directed at improving aspects of, or the entirety of, institutions, governments, and various movements. This resonates with Sankara's (1988) development⁸ that is the eradication of negative realities of lived experience, like famine, ignorance, and disease. Similarly, it corresponds with the objective of expanding human capabilities for inclusion of the marginalised (Drèze and Sen 1996; Sen 2002:35; Naqvi 1993). Therefore, development can be thought of as a "multi-dimensional process involving the re-organisation and re-orientation of entire economic and social systems" (Mawire 2013: 41)

⁸ The Oxford Dictionary defines development as an event that constitutes a new stage in a changing situation. In this sense, this is in line with Sankara's idea of a changed situation where famine, ignorance and disease does not exist.

3.2.2 Theories of Development: Convergences and Divergences

3.2.2.1 Modernisation

European orthodox theorists in the 18th and 19th centuries, buoyed by industrialisation and the emergence of nation states, believed in societal change (Eisenstadt 1966). Therefore, evolution of society from the primitive, or patrimonial, to the advanced implies an end to the former's mechanical solidarity of collective conscience and emergence of organic solidarity, and organised networks that are at once individualised or specialised yet interdependent (Durkheim 1893; 2013; Weber 1946). Inherent to modernisation is its association with Western origins therefore, wherein industrialisation suggests modernisation could potentially create an objection and inhibit aspirants of development from grasping where and how change occurs (Bauer and Wilson 1962; Tipps 1973). Another complication arises from its ideological premises that are resonant with US imperialism and anti-communism (Black 1977; Lathan 2000). Notably, change surpasses Westernisation and does not necessarily imply the decimation of traditional societies, but rather that these can coexist in the same environment (Reyes 2001; Eisenstadt 2002) (Reyes 2001).

Deyo (1987) proposed three assumptions to modernisation: first, international interconnectedness of states at various levels are developmentally beneficial for growth, which Harber (2014) argues sustain growth and stimulate sectors of the economy. Second, developing countries possess critical factors for self-sustaining growth. As Webster (1990) and Halperin (2018) propose, growth begins gradually once traditional obstacles to development have been removed. Third, that economic development leads to democracy, better education, development of the middle class and greater economic benefits for all. Consequently, as proposed by Tipps (1973: 202), modernisation is social change that is both transformational in its impact and progressive in its effects. It is an evolutionary process through which revolutionary change occurs as different cultures contest (Huntington 1993). In this regard, institutional capacity, especially complex institutions, is key to enable society to adapt and to respond to change (Parsons 1964: 340; Fangjun 2009; Goorha 2010; Peng 2014). Therefore, in DS terms, the institution of state matters in transforming all of society.

3.2.2.2 Dependency and World Systems Theory

Prebisch (1950) and the Latin American dependency theorists, seeing imbalance in development outcomes, argued that integration of poor countries with the advanced countries results in temporary gains and sustained development constraints. Unsustainability arises from dependence of colonies on their colonisers, wherein the former provides raw materials to the latter, which then returns them as manufactured goods at a high cost. Hence, Deyo (1987) and Ferraro (2008) demonstrated the importance of import-substitution industrialisation strategy for poor countries to determine the price of their primary product in the international markets, to protect their small domestic markets, and to enable them to adopt new ways of doing things. Ferraro (2008) explains that although neoclassical theory argued that economic growth was beneficial to all these were not equally shared.

Flowing from dependency theory, another framework emerged in the 1970s that emphasised global relations by analysing states in terms of core, periphery, and semi-periphery (Bresser-Pereira 2016; Halperin 2018). According to this theory, global systems favoured industrialised nations, at the core, with some of the former colonies as a buffer between the core and the periphery, namely, former colonies. Therefore, the global balance is an unequal class relationship characterised by imperialism, that is the First World, which is super-exploitative, creating economic impoverishment and dependency in the Third World (Baran 1957; Rodney 1972).

The relevance of these theories to the developmental discourse is, firstly, assisting in conceptualising the role of the State in development. Second, they highlight the importance of the national and international dynamic. Does the State have a role and the power to change its own situation? Weber (1946) and Mann (1993) regarded the state as having sovereign territory where it exerts authority over the political and economic spheres. However, as Steytler (1999) shows, the regime brought on by the WTO eroded the power of national governments and their parliaments. Therefore, as Radice (2008) would argue, in such an environment a DS is only a reformist mechanism in a global environment of capitalist hegemony, that is, dominance of capitalist ideas over the State and society. Weiss (1998) contradicts by proposing it a myth that states are incapacitated by global forces because local players constantly

develop responses and create institutions and policies to help overcome the challenges that may derail national development. Furthermore, as Wallerstein (1971: 359) posits, development is possible where the state possesses the will and possibility to transform the social structure to enable dramatic economic development and industrialisation.

These theories are also important in terms of recognising the significance of institutional capacity in managing societal response and adaptation to change. Therefore, in DS terms, the institution of State matters in transforming all of society.

Development is a national and international process where both the industrialised and aspirants collide and collaborate (Petras 1981). The framework is of dependency-underdevelopment where capitalism is the motive force for a dependency relationship (Frank 1972), and what occurs is not by voluntary action or choice of any of the actors, but a consequence of system dictates (Wallerstein 1975). Hence, for Chirot (1977), trade is reliant on the export of primary materials from the dependent and the import of manufactured products from the dominant. This reinforces imbalance and inequality because poor countries are solely dependent on external factors in a context of a dynamic relationship between the dominant and dependant states (Chase-Dunn 1975; Rubinson 1976). Therefore, growing inequality, argues Kaufman (1979), manifests in the lowering of wages because of interest in capital accumulation, while embracing advanced technologies, which according to Evans and Timberlake (1980) results in lack of labour absorption and higher wages for a few employees, or “enclave development” as suggested by Deyo (1987: 14). Dependence on the dominant then leads to the domestic market turning into a mirror image of foreign interests and their decision-making (Giraffe 1978). Evans’ (1979) articulation of dependent development proposes compatibility between dependency and development, wherein economic development can be achieved in developing countries, though somewhat impaired by dependency, thereby imposing an imperative on the DS practice to leverage external capabilities to develop local competencies that will enable developing economies to industrialise and compete globally. This gives rise to the notion of developing economies “catching up” (Mkandawire 2001) and Hsu’s (2012), aspiring to reach the economic development of industrialised nations.

3.2.3 Historical Evolution and Moments in the Developmental State Discourse

There are three main phases in the debate about development (Chitonge 2015), namely affirmation of state intervention in the economy from the 1940s to the mid-1970s; ascendancy of market liberalism and strong criticism of state intervention in the early 1980s to the mid-1990s; and renewed interest in state-driven development strategies, especially in the developing economies, from the mid-1990s onwards. The United Nations (research.un.org/en/docs/dev) outlines three decades of development between 1960 and 1990, divided into 1960-1970, 1971-1980, and 1981-1990. The 1960s, declared the United Nations Decade of Development, emphasised “growth plus change” (United Nations, Resolution of the Sixteenth Session of the General Assembly 1961), that is, interconnectedness between economic development and social, cultural, and human change (Kennedy 1961). The focus from 1991 to the 2000s was on human development reports and a shift to sustainable development goals, that have become the centrepiece until today (Thirlwall 2006).

3.2.3.1 Era of “High Development Theory”⁹

The decade beginning in 1960 was characterised by a strong principle of international solidarity and development cooperation to help developing countries (Shaw 2002). Policy and outlook of development, including its intellectual and academic content (Black 1977) was influenced by events such as the 1929-1939 Great Depression and post-World War Two events, including the Cold War (Williams and Wright 1975; Bresser-Pereira 2016) and empathy arose from the difficulties experienced (Krugman 2005).

The groundwork for development was laid in earlier periods (Resolution A/RES/1219 (XII), United Nations 1956) that influenced the great push that began in the 1960s (Ferraro 2008; Koehler 2015). The Pearson Report (1969) later grappled with the growing gap between developed and underdeveloped nations. Thirlwall (2006: 4) suggests four factors that motivated global concern for economic development: that is (i) emerging interest in growth and the process of development in the theory and

⁹ Krugman’s description of the earlier period when there was global consensus and international interventions on addressing the development gap between the industrialised and non-industrialised nations.

practice of *planning* after the Great Depression of 1929; (ii) recognition of the lack of development among less developed countries, and the desire to realise *economic progress* globally; (iii) realisation of increase in world poverty; and (iv) *global consciousness among nations of their interdependence* resulting from the threat of global poverty, and the emergence of ideological alliances due to the Cold War. The italics are researcher emphasis as these features are central to the later discussion on DS.

3.2.3.2 DS in the Neoliberal Years

The 1970s ushered in a decade of economic chaos and, as Hirschman (1981) notes, intellectual thought in mainstream economics moved towards neoclassicism leading to the decline of development economics, wherein economic discourse adopted formalistic models of microeconomics (Landreth and Colander 2002), mathematical models and a “unique” language – therefore, the death of “high development theory” (Krugman 2005: 1).

Global growth had declined between 1973 and 1980 and the Bretton Woods system, responsible for global fixed exchange rates between the dollar and other world currencies, collapsed when the Nixon Administration de-linked the US dollar from gold (Nguyen 2018). The gap between developed and developing nations widened, prompting a call for a “fundamental restructuring” of the international economic relations and a new order to be created due to an unfulfilled second decade of development (35th Session UN General Assembly, 1980).

The end of the 1980s saw the collapse of the Soviet Union that had been a countervailing force to the USA and Western ideologies, paving the way to global domination of the neo-liberal ideology (Öniş 1991) and the emergence of global financial markets powerful than the State (Bierstecker 2013: 263). Markets were advanced as the only viable vehicle for growth and development since State intervention was conceived as the cause of failures (Williamson 1990a; Babb 2012; Chondhary, 2007; Gualerzi 2012; Chang, 2014), and developmentalism was regarded as equivalent to populism and lack of fiscal discipline (Bresser-Pereira 2016: 2).

Neoliberal ideology, which according to Radice (2008: 1155) advocates that markets are capable of self-regulation and the role of the State should be restricted, dominated.

Chang (1999), in response, argues that since the State could not be divorced from the self-interest of those who occupy it, self-interest and motivations of the neoliberal thought that provide meaning to the objectives of the state were contradictory to the state acting for the common good. Stiglitz (1994; 2002) adds that markets are imperfect, and neoliberalism reflected fundamentalism and a literal interpretation of tenets of classical and neoclassical economics. Despite these arguments, the hegemony of neoclassic ideology erased the critical debate about development and the central social and economic issues (Green 1983; Babb 2005). The consequence of this shift led to market socialism and central planning falling out of favour (Beaulier and Subrick 2013), characterised by the World Development Report “From Planning to Markets” (World Bank 1996), and drove developing countries to seek aid from the West (Keita 2011) under pressure of market reforms (Krueger 1990) packaged in the Washington Consensus (Williamson 1990; 2004; Babb 2012; Clifton *et al* 2017).

Washington Consensus

Gualerzi (2012) suggests that the Washington Consensus was a collection of free market policies that laid the basis of the development policy fostered by development institutions such as the World Bank, International Monetary Fund and the Organisation for Economic Co-operation and Development (OECD). Babb (2012) argues that it became a catalyst for the ideas of trade liberalisation and privatisation of State assets. Its flawed approach to development policy, added Stiglitz (2008), was its advocacy for a Procrustean bed of development policy devoid of recognising peculiarities and contexts. Although it attempted, it failed to establish an alternative development discourse, hence replacement of the State versus market narrative with a new Keynesianism and social capital (Fine 1999).

3.3 THE DEVELOPMENTAL STATE PARADIGM

Developing appropriate responses to challenges of economic growth and development in poor countries, and understanding the role of the State therein, re-emerged in the

2000s (Bresser-Pereira 2016). In the aftermath of the post-Washington Consensus the concept of DS seemed to have lost momentum and fallen out of favour (Caldentey 2005; Fine 2013). According to Singh and Ovadia (2018), the global commodities boom in the 2000s, like the economic crisis of the decade between 1970 and 1980 that gave rise to market liberalisation, provided impetus for structural transformation and management of rents as intervention strategy. For Mkandawire (2001) and Meyns and Musamba (2010), developmentalism re-emerged due to recognition of the failures of neoliberalism and its structural adjustment programmes.

The emergence of industrialised countries in Asia during the twentieth century, termed the “Asian miracle” (Chang 2010), provided an impetus to refute the market dominance theory (Pempel 2011), hence the attempts at interpreting the East Asian experience and convergence of various economic perspectives (Öniş 1991), in search of a twenty-first century model both transcendent of the East Asian experience and relevant to countries of the South (Singh and Ovadia 2018; Wylde 2018). There was also recognition that institutions other than markets can impact economic performance and globalisation necessitates amendment to the existing international framework (Chitonge 2015).

The success of Asian DS provided new inspiration for developing countries to rethink and revive their own development and growth (Black 1992). Importantly, this returned the issue of the role of the State in development to the centre though within a hostile environment (Fine 2013). Looking at the successes of the Asian states, as suggested by Stiglitz and Yusuf (2001) and Fine (2013), and by way of countering this resurgence, proponents of neoliberalism attempted to undermine State policies and institutions that underpinned their successes by claiming they were due to market forces, hence the World Development Report (World Bank 1997). Necessarily, as Chang (2014) highlights, it would be impossible to discuss development without recognising the pivotal role the state has played and can continue to play in that process. However, as Chang (2014) indicates, advocacy for State participation in the economy does not mean being overbearing, because it can also be detrimental. DS, as Öniş (1991) proposed, was an appropriate response against the three arguments to structuralism that neoclassical ideology had posed. First, State intervention that was

geared towards import-substitution led to industry inefficiencies due to permanent subsidies, resulting in lack of competitiveness. Second, State intervention generated rent seeking that shifted the focus of economic agencies from the productive economy to lobbying for State subsidies and State protections. Third, the experience of the East Asian economies pointed to an export-led model that was supported by the private sector and market interventions.

A debate on the role of the State in development needs to be nuanced, dynamic and integrated to transcend the Asian experiences because of contemporary complexities due to globalisation (Wylde 2018; Singh and Ovadia 2018). Globalisation has entrenched greater cooperation and an almost borderless world, resulting in actions taken in one part of the globe impacting elsewhere as seen with the 2008 global financial crisis (Blankenburg and Palma 2009; Helleiner 2011; Toarna and Cojanu 2015). Beyond the role of the state, and in contrast to its peak, development should be all-encompassing and inclusive as signified by the shift towards sustainable development goals (SDGs) (Thirlwall 2006). The critical challenge is whether this shift, considering the changed global power relations inside and outside of institutions such as the United Nations, would centre development as was the imperative in the post-World War Two period (Koehler 2015). In this context the question of balancing, among others, DS and climate change issues are located (Radice 2008).

3.3.1 Economic Development and Industrialisation

Ormrod (2003), Chang (2002; 2008), Caldentey (2008), and Bresser-Pereira (2016) suggest that evidence of DS in 17th and 18th centuries Europe and the United States of America (USA) exists, commencing with the Middle Ages – mercantilism, the industrial revolution, the Great Depression, New Deal, Fordism, economic liberalism – to the GFC. It also existed in Africa (Mkandawire 2001; Edigheji 2005; ECA 2011; Meyns and Musamba 2010) and Latin America (Caldentey 2005; Schneider 2015). Asian states that acquired the title because of their rapid growth and development post-WW2, catching up to the West, never referred to themselves as developmental states (Fine 2007; Hsu 2017). Developmentalism, which according to Bresser-Pereira (2016: 2), is a set of political ideas and economic strategies aimed at driving industrialisation

and ensuring social contract, appeared in Brazil in the 1950s to describe capitalist organisation, and to provide a theoretical framework for development.

List (1841) in the 19th century used the term to describe the sovereign power of the state for economic change and further argued for industrialisation and protection of infant industries to enable less developed nations to reach the level of the industrialised. According to List, there existed three types of capital, natural – of natural resources; material – of machinery and other productive instruments; and mental – of human and institutional character (List 1827:193-4). As such, in the context of the state fundamentally being the “protector of national productive powers”, according to Levi-Faur (1997: 166), it could effectively harness these productive powers for economic development.

Johnson (1982) extended the Listian and Weberian concept of state by allocating it a single purpose, which all its structures serve, arguing that the foremost question is how the government intervenes and for what purpose (Johnson 1982: 18). Using its sovereign power, it intervenes through mechanisms that create market conformity towards achievement of economic development. Mkandawire’s *ideology-structure nexus* (2001: 290) concept explains why DS varies from other types of State in that its mindset is developmentalist and its structures an extension thereof. Building on the ideas of economic development through infant industrialisation and market conformity, Amsden advances the notion of getting prices wrong (1991: 284) through State subsidisation in the productive industries. Wade’s governed market theory explains this approach as central planning, not central allocation, where the state exercises its right to ‘manipulate’ economic factors within its boundaries for economic growth and development (Wade 2005: 99). Therefore, the developmentalist mindset extends to the management and control of the economy, including all its instruments.

3.3.2 Nationalism and National interest

Earlier scholars such as List and Weber had emphasised the role of the state within its national boundaries. This is the idea that the nation-state is a political entity that governs a nation and successfully serves all its citizens (Levi-Faur 1997; Anderson 2006). Motivation for both their legitimacy and developmentalism is nationalism, and

therefore, nationalism and developmentalism are two sides of the liberating process (Levi-Faur 1997; Bresser-Pereira 2016). Mollaer (2016) criticised this conceptualisation, which he termed “methodological nationalism” that is devoid of appreciation of the influence of, and how, external or global contexts impact the national. Nationalism, Rodríguez and Tellaeche (2020: 218) argue, “helps to provide the initial impetus for development”. In this context Kasahara (2013) introduced the notion of sequencing in DS, whereby nationalism is necessary at the start but, it is assumed, not so in the later stages when the economic logic has taken root. However, without suggesting a sequencing approach, Mkandawire (2001: 291) proposes that nationalism is the driving force for “catch up”, and a binding agent (Hirschman 1958), at moments of dislocation that are due to processes of development and accumulation (Mkandawire 2010: 61). This contributed to economic nationalism like the USA (Marwala 2006) and apartheid nationalism, aimed at the “volk” or white Afrikaners (Giliomee 2003). Fanon (1963) has, however, been critical of nationalism, suggesting that in the African setting, while it provided impetus to the liberation struggle it did not create transformational changes post-independence.

3.3.3 The Paradox of Developmentalism and the Law

Johnson (1982) argues that DS succeeds where the state is focused on economic development instead of being welfarist or regulatory. Notably, most modern capitalist states are regulatory. Bresser-Pereira (2016), arguing new developmentalism in a capitalist framework, suggests that the state is the law, and the markets are distributors and allocators of resources. The state possesses power in the law and uses the markets as an extension of that power. Since markets are inclined to be selfish and potentially harmful to common good State intervention is required (Bishop and Payne 2018). Polanyi (1957) and Lange and Rueschemeyer (2005) argue that even in *laissez-faire* environments developmentalism would not have occurred had the states not utilised the law to undo forms of resistance to market penetration that disabled economic development and growth. Simultaneously, the law was used to contain the potential harmful effects of the markets, which would create insecure and unsustainable livelihoods for people and the environment, thereby threatening economic development. Swedberg (2005: 22&25), in articulating the role of the law in his

economic sociology of capitalism, and the development of growth in the markets, argues that,

Law is typically part of the political machinery... One reason for this is that law introduces an extra layer ... between political decisions and their execution ... the state can influence the economy through regulation and industrial policy.

According to North (2005), a regulatory environment is necessary for institution building and institutional change as it creates certainty and through rents, in the form of revenues, the State provides socioeconomic security and economic performance is improved. It must, however, be recognised that regulatory States, as shown by Pempel (1998; 1999: 103), have in them the weaknesses of, a) being increasingly a judicial economy; b) having greater emphasis on institutional self-regulation; c) giving attention to process issues instead of outcomes; and d) focusing on technocratic decision-making, often “detached from the normal process of political accountability”. This perspective resonates with Nee (2005: 53) who proposes that a regulatory framework is effective where there is an alignment of the State’s objectives and the interests of social actors, otherwise there is contestation and conflict. In his socialist redistributive economy, looking at China, his argument is that forces other than markets allocate goods and services. A critical point he highlights is the extent to which a regulatory framework can constrain transformation:

Under transformative change, the old rules and procedures frequently become, instead, sources of oppositional norms, which in turn reinforce organizational inertia to the extent they lock organizational actors into routines that are at odds with the path of institutional change. (Nee 2005: 56).

3.3.4 Is DS Compatible with Democracy or Authoritarianism?

Flowing from the Asian experiences of authoritarian states, the debate as to whether developmentalism is compatible with democracy arose, giving rise to arguments for the idea of democratic developmental state (Seddan and Belton-Jones 1995; White 1998; Edgheji 2005). Its three basic socio-economic functions are regulative, infrastructural, and redistributive. The regulative implies the construction of an institutional framework for the market economy and the management of the macro-economy. The infrastructural is the construction of a physical and social infrastructure through a growth-enhancing social policy and welfare provision. Redistributive means confronting poverty and the eradication of social inequalities such as gender, class and race. Proponents argue that absence of democracy and citizen participation account for

slow transformation even in societies that were developmentalist, like South Korea (Kim 2010).

A contrary view suggests that dictatorship is advantageous to developmentalism (Bolesta 2007). Johnson (1987: 137) advocates an authoritarianism-capitalism nexus, suggesting the need for soft authoritarianism. Others have argued that the Chinese DS has succeeded due to authoritarianism, Nathan's (2003) resilient authoritarianism, and Kagan's (2008) new authoritarian consolidation. In the case of Ethiopia and Rwanda, Matfess (2015) refers to authoritarian developmentalism.

Pempel (1999) argues that the challenge confronting DS in a democratic environment is that of transitional institutions, which impact on policy choices. According to Herberer (2016: 612), it is rather the quality of institutions, not the model, that explains why and how a particular system functions or the reason for the quality of the institutions. Models do not provide adequate explanation as to why a type of state, authoritarian or democratic, is stable and another like it, is unstable. Chang (2010) observes that DS has existed in both the democratic – Japan, France – and authoritarian – Taiwan – forms, alike. This indicates the institutional capacity and capability of the state to deliver transformation, working with various societal networks that are critical for developmentalism (Knight 2014).

3.3.5 Models of State and DS

On its own the state is a contested concept. Kukathan's (2014: 358) suggests that it is a political association different from others, a "supreme corporate entity not incorporated into any other entity, even though it might be subordinate to other powers". It possesses the power to regulate, allocate resources, enforce compliance (Weiss 2006), transform how markets and the economy are organised (Campbell and Lindberg 1990), and has legitimate power to subjugate others within its realm (Weber 1841; 1946; Hall and Soskice 2001). Therefore, the structure it assumes influences its manifestation in terms of its capacities and capabilities (Evans 1995).

According to Schmidt (2002), the modern state can be considered in three ways, that is, as liberal, corporatist, or statist. The liberal State is reflected in the Anglo-Saxon

world and is market-led (Lütz and Eberle 2004). The statist or state-led type is espoused by the Asian countries (Woo-Cumings 1999; Mollaer 2016) and French (Loriaux 2003) as observed by an interventionist State. The corporatist, like the Irish state (Hirsch 2013), is one where economic activity is coordinated by and through social actors, inclusive of capital and labour. Weiss (2006) argues that the preoccupation to characterise the type of State is borne of the perception of change, thought to be brought about by neoliberalism and globalisation.

Wade's (2014: 2-5) summary of the State model for governing the economy comprises the liberal State model, drawn from beliefs inherent in mainstream economics, and the developmental state model that derives from the classical conception of the developmental state (see Table 3.1). The summary is not prescriptive but provides an overall guide of the models and what elements can be drawn from them for the purpose of developing an analysis, while remaining aware of potential differences.

Mann (1993) characterises the four powers of the State. First, infrastructural power – coordination of society through the law and administration in areas outside the state's scope and concern; second, territorial power, the influence exerted by the political elite over society; third, economic power, that is, the diverse and connected processes the State employs aimed at promoting prosperity in society; and fourth, symbolic power, which is the ability of the state to create a sense of its inevitability whereby its authority is unquestionable, or what is referred to as legitimacy.

Linking the arguments here to section 3.3.1, previously, developmental statecraft recognises the interplay inherent in the concept of developmental structures and the developmental role (Vu 2007). The structures refer to a stable centralized government, cohesive bureaucracy, and effective coercive institutions. The developmental role pertains to the political will to use capacity, which includes the authority and technical capacity of the leadership of the State, resource allocation, for developmental purposes.

Table 3.1. DS: The Political Model

Liberal State Model	Developmental State Model
Goals: self-interest is the main motivator.	Relative sense of solidarity, homogeneity, and collective purpose.
State: small state, privatisation, deregulation, free trade, low taxation, protection of contracts and property rights in the face of market failure, minimal infrastructure and health and education services.	Sufficient taxation (perhaps with aid supplement) for public investment in infrastructure higher than in liberal model.
	Possesses an elite civil service with sufficient independent share to decision-making with ministers. Independence means insulation of appointments and promotions from political party control, but not insulation from dense relations with politicians and private sector. Civil service can pick winners because of its knowledge of technological developments.
Corporate governance – inclusion of foreign financial investors and takeover by foreigners; minority shareholders govern.	Ownership by national capital – firms, families, state, banks.
Capital markets – largely free from state control, including inflow and outflow of foreign capital and establishment of foreign firms; orientation of major companies is global capital markets; investors always edgy to invest elsewhere if profit expectations are not forthcoming.	Capital markets are controlled by the state that regulates the inflow and outflow of foreign capital and the establishment of foreign financial firms. Most capital is national, thus insulation from profit expectations of international investors.
Industrial relations – state-set framework of rules, labour relations established at level of the firm, unions powerless vis-à-vis employers.	Two-tier system: one well regulated, with cooperative unions under state direction; and a less protected sector with firm-based working conditions.
Integration of national economy and international economy is at maximum.	Industrial policy is geared towards developing capacity of domestic firms in large global industries, which can be first-tier suppliers to MNCs and later compete with them.
Key macroeconomic tools are interest rates and budget deficit which are kept low.	Foreign exchange is sufficiently devalued to keep the current account deficit low and to provide infant industries with profitable access to foreign and domestic demand.

(Source: Author, adapted from Wade 2014)

Arguably, the political model could impact how the State intervenes, particularly its outlook, and in how it can utilise various instruments in its arsenal. Nevertheless, DS, without regard to the political model, even in *laissez faire* environments, devises the

means for intervention for economic development. To illustrate the point, Table 3.2 below depicts some of the types of DS interventions in different State models. These are further examined in later chapters in relation to developmentalism in the South African situation.

Table 3.2 DS - Types of Intervention

Development Bureaucracies				
Led by Insulated elite bureaucrats				
Type/Model	Political System	“Ideology”	Intervention	Organisation
Classic	Authoritarian	Political Hegemony	Industrial Policy (IP) Ownership of Banks (Korea)	Formal Organisation in Government: responsible for planning, coordination & implementation of IP, or welfare policies For example, Economic Planning Board Taiwan Industrial Development Bureau Ministry of International Trade & Industry Commissariat Général du Plan Bureaucratic & Legislative Institutions
	Democratic		Industrial Policy No ownership of Banks (Japan)	
Authoritarian	Selective Strategic Sectors State-financed R&D (Taiwan)			
Authoritarian	Free Trade FDI (carefully managed) SOE (Singapore)			
	Democratic	Corporatist	SOE Selective Strategic Industries R&D Welfare: industrial upgrades & social policies; active labour market policies, solidarity wage policy (Scandinavia)	
Development Networks				
	Democratic	Laissez-faire	Infant industries Public/private R&D Regulation (USA & UK)	Invisible “hidden hand” Fragmented

(Source: Author, adapted from various scholarly contributions)

Industrial policy is one of the interventions of DS. Wade (2005) outlines three types of industrial policy. First are the economy-wide, functional policies, which are those that include exchange rate, macroeconomic balance, and competition. Second are the multi-sectoral, horizontal policies, which are about research and development

incentives for small, micro and medium enterprises, and investment in areas like port infrastructure. Third are sectoral policies that are focused on promoting specific sectors or sub-sectors or firms. For the sectoral policies to operate optimally the first two must create a favourable environment. Investment in production is a necessary and significant essential, not a by-product, of macroeconomic reform to transform the structure of the economy (Ocampo 2014). This is critical in a developing country setting where the focus is largely on labour-absorption strategies. Policy synergy, ensuring complementarity between industrial policy and competitions policy, is essential to manage the different needs arising from the industrial complex (Roberts 2010). The South African situation further demonstrates how the country's monetary policy impacts on trade and related sectors, hence the suggestion for an industrial policy that compensates in the liberalised environment where there is minimal flexibility in the exchange rate sphere (Rodrik 2008:36):

... in all cases of successful catching up, the State has played an active role, be it in building markets, in nurturing enterprises, in encouraging technological upgrading, in supporting learning processes and the accumulation of capabilities, in removing infrastructure bottlenecks to growth, in reforming agriculture and/or in providing finance. (in Salazar-Xirinachs *et al.*, 2014: 3).

Social policy is also an enabler for participation of those outside of the economy, to make choices about their way of life in a manner that provides meaning and substance. Housing, education, health, food and transportation are critical to social welfare (Naqvi 1993; Haggard and Kaufman 2008; Creamer 2010; Park 2010) and redistributive and economic justice (White 1998) because they raise household income and develop human capital (Ceratti 2013; Cruz-Martinez 2019). The responsibility of the State is therefore that of also providing material and institutional support (Nussbaum 2011), developing a macroeconomic environment that will enable an equitable income distribution and the distribution of various opportunities that will stimulate growth (Seguino 2012). Development strategies of the State and the production strategies of companies complement social policy and labour market institutions (Haggard and Kaufman 2008), because policies that cover for disabilities, healthcare insurance and pensions play an important part in the social policy mix and thus the well-being of the citizens. Substantive freedoms go beyond an emphasis on production growth, which downplays individual well-being (Joshi 2021). According to Sen (2002: 35),

One way of seeing development is in terms of the expansion of the real freedoms that the citizens enjoy, to pursue the objectives they have reason to value, and in this sense the

expansion of human capability can be, broadly, seen as the central feature of the process of development.

This notion of freedoms transcends but is not mutually exclusive to freedoms associated with liberal and constitutional democracies, such as freedom of choice, speech, association and movement (Robeyns 2005). It complements rights by providing a meaningful emphasis on the tangible content of all rights, including the relationship between human beings and nature, and the responsibility of the State to preserve and protect them (Nussbaum 2011; 2012; 2017).

3.3.6 The Features of DS

Developmental state literature often alludes to elements broadly used to characterise it (Woo-Cumings 1999). While these may sometimes differ depending on the approach (Johnson 1982; Mkandawire 2001; 2010; Edigheji 2005; 2010; Evans 2010) they tend to follow a certain generality. This is a descriptive model which, in analysing an event or phenomenon, identifies similar features or patterns (Lucas Jr. 1978; Nassaji 2015; Loeb *et al.* 2017). However, as Gore (2013: 3) cautions, one should avoid the temptation to assume the description as the phenomenon being analysed, thereby overlooking instances of discrepancies and counterevidence, leading to lack of analytical depth.

The discussion below should be linked to the previous sections 3.3.1 to 3.3.5

A. Leadership and Ideology

Leadership and ideology are intertwined because leadership is moved to action by ideation. Schlesinger Jr. (2008: 6) notes that leadership is

“a public transaction with history... the capacity of individuals to move, inspire, and mobilize masses of people so that they act together in pursuit of an end”.

Ideology informs leadership, its outlook, and the institutional design of the State. A strong developmentalist mindset is

“a set of ideas about the primary purpose of economic activity, the central goals of the state, and the appropriate role of the state in achieving these goals” (Thurbon 2016: 16).

Ideas provide impetus to structures and thereby allow for comparative and competitive advantage towards developmentalism (Sikkink 1991), hence the need for political will

to actualise the purpose and ensure that the ideological framework is fused into the fabric of society to have impact. This is the notion of the hegemonic project, wherein ideas mingle with the material interests in lived experiences, where they are mutually reinforcing, and new understandings are created and recreated (Pempel 1999). There is thus a dominant idea to which most consent (Gramsci 1992). Conceived in this manner, State power and its apparatus are not neutral in transformation (Althusser 2014; Kalampokas *et al* 2016). This recognises that ideology alone is not sufficient but requires the support of “real intention and the actual impact” (Jalal 1995: 123) which is driven by leadership.

The importance of leadership in the modernisation agenda is seen in Deng’s rescue of China from near-collapse and through managing the disruptive process of reform inside and outside the CPC (Vogel 2011). Similarly, in Botswana’s national leadership, this is seen in eschewing the structure of chieftainship towards an economically viable and secular polity (Masire 2006). Therefore, leadership needs to have foresight and determination (Krames 2005; Kwang *et al* 2015), awareness of the domestic and global context of the developmental project (ECA 2011), be people-centred and transformative as well as transformational (Khoza 2013:17-26) in thought and action (Mbilinyi 2010), that is, a thought leadership, thought liberation and critical consciousness (Gumede 2015: 93). To meet the challenges of the 21st century, it should possess a holistic educational quality, should extricate itself from politicism, and be meritocratic (Marwala 2021). It requires, according to Hirschman (1968: 936), ability to initiate change that it perceives at the pivotal moment when those who surround it are oblivious to it, or are unable to see it, and thereby grasp the opportunity so the ultimate outcome is reflected as their own creation. Inherent, according to Gumede (2009), is the need for developing a focused long-term development plan that enjoys broad consensus among the citizens.

B. Bureaucracy and Structure

Reynolds (1983: 976) asserts that in DS, “the most significant important explanatory variable is political organization and administration competence of government”. Although there are other conceptualisations about bureaucracy, among them Hegelian (Jackson 1986; Shaw 2013), Maoist (Hearn 2016) and Mill’s (Mill 1958/1861;

1961a/1859; Warner 2001), most scholars (Önis 1991; Weiss 2006; Evans 1995; Edigheji 2005) agree that Weberian bureaucracy is an essential feature of successful DS.

Weber's (1946; 1841) conceptualisation is hierarchical, legalistic, and impersonal. Rationality, in Weber's worldview, is understood as the governing principle in the world and in human relations (Pollitt 2008, Merz 2011). Focus is on experts with specialised and technical attributes who are responsible for data archiving, information flow, centralisation of policy and decision-making in the authority to which lower structures report. Bureaucratic action is efficient, rule-based, and including meritocratic and rational – not patrimonial – selection criteria and appointments. Only experts must undertake work, and there are information flows through proper documentation and record-keeping from the lowest structures to the highest echelons. Weber (1978: 994-998) also recognises that the leader does not always possess the technical knowledge, hence the establishment of “collegiate bodies” that act as forums for the appraisal of the leader by the experts, also as a means of ensuring information and knowledge acquisition. Hereto, Bauer *et al* (2016) note that although necessary, bureaucracy is potentially a danger given its superior technical skills and administrative knowledge, which it can exploit in its favour in the different spheres of the policy process.

Therefore, inherent in the institutional design of DS is a highly skilled, professional and autonomous bureaucracy able to maintain coherence of policy and its implementation (Evans 2010). Drawing from Johnson's work, authors like Edigheji (2005) advocate for a rigorous process of training and selection of bureaucrats from among the best in the public service.

DS in the 21st century advocates an economic bureaucracy, enabling entrepreneurial process of the State, through innovation/ideation, planning and execution, and growth. According to Mazzucato (2021), states need a “mission-oriented” approach. This involves abandoning old stereotypes that limit bureaucracies to entities that fix, regulate and redistribute public resources. New approaches should embrace the State as creative, problem-solving and risk-taking, working in partnership with society,

especially firms, to resolve complex societal problems. This bureaucracy builds on the understanding that the State actively creates markets rather than merely corrects them (Mazzucato 2013). This is a bureaucracy of an “implicated” State in transformation, taking on roles such as custodian, demiurge, husbandry, and midwifery, in creating wealth (Evans 1995: 5-14). Capital accumulation and growth occur when the State provides the impetus (Rodrik 1999:63). Therefore, as Hirsch (2013:297) states, DS are powerful because they possess an enabled administrative state capacity that effectively brings about capitalist economic development.

It is in this context that nimble, autonomous and insulated pilot agencies that are either a line ministry or formal planning agency (Chang 2010; 2010) are necessary to enable policy and economic activity (Rauschemeyer and Evans 1985; Saloojee and Pahad 2011). They act as locus for the authority, administrative, planning, and technical capacity of economic bureaucracy (Leftwich 1995: 412). In this context, Johnson’s (1982) idea that bureaucrats rule has often been misinterpreted as if they act at will, giving rise to Pempel’s (1999) critique about the source of mandates of bureaucrats, and Cumings’ (1999) views of webs without spiders.

Various US State agencies, alive to the pressures of market liberalism in the environment, drive industrial policy through various methods such as Research & Development in commercial technology, that is, “network-building industrial policy” (Wade 2014: 389). As Stiglitz (2018) suggests, the US industrial policy is in the Defence Department and concealed in the tax structures and bankruptcy laws. This is what Block (2011: 13) refers to as the “hidden developmental state”.

According to Schneider (2015: 120-121), the Brazilian Air Force was responsible for the development of Embraer, the aeronautics company of Brazil. Connected to military goals and defence it became insulated from political and civilian interference. Through collaboration with the Institute for Aeronautical Technology and the Technical Centre for Aeronautics, it fostered cooperation in skills exchange and boosted its research and development capacity. In practice, it developed learning through trial and error, to attain the position of being a global leader in the aviation industry. The challenges that emerged in relation to economic development in Latin America subsequently,

especially because of growing liberalisation, arise from the lacunae of measures for production sector support (Ocampo 2014).

Overall, bureaucracies can be understood as a “combination of historical accident, learning, and astute leadership at the top” (Johnson 1987: 152). There is thus a need to develop a healthy and operational level of expert bureaucracy and autonomy. Although a Weberian framework is useful, notes Wilson (2019), bureaucracies are complex entities that should be contextualised considering, among others, firstly, constraints from constitutional systems that produce two bureaucratic effects; that is, citizen-friendly agencies that are friendlier and responsive, and citizen-regulating agencies that are rigid and adversarial. Second, there are legislative requirements that expect specific outcomes while there is no accompanying legislation for the changes required resulting in the stereotypical argument about the growth of bureaucracies, viewed as manifestation of inefficiencies, including a lack of internal coherence, that affect autonomy (Peters 2018; Bauer and Edge 2016). Growth is therefore a consequence of consistent means to organise in an environment of uncertainty (Meyer 1987). An assessment of government only through economic theories can distort its image. Third, public entities differ from private enterprise in the practice of performance and remuneration, including the purpose of their existence – for example, public service versus profit, and that public entities try to do many things that cannot be done well in general. Furthermore, unlike Weber’s conception of bureaucracy and efficiency, contemporary organisations advocate new ideas and flexible work arrangements (Peak 2020). Fourth, people’s actions are determined by their position in the organisational structure. In the ultimate sense, the failure or success of a bureaucracy is predicated on the organisational system selected.

Presthus (1959) cautions that before making judgements on what seems anomalous or irrational about organisational objectives, values and procedures of a particular bureaucracy, it is important to understand the cultural context that informs them. Theory and practice of bureaucracy should, therefore, transcend Western perceptions to be inserted in a global environment where national realities are fused with international experiences, and both are impacted by information technology, global institutions, and efficiency and productivity factors (Welch and Wong 1998). In the

environment of the twenty-first century, according to Jinnah (2010), greater emphasis should be on international bureaucracies, which tend to develop capacities that enable exploitation, including exerting pressure on different structures and actors at global level.

C. Embedded autonomy

A concept that has influenced DS theory is that of Evans (1995) who posits the idea of embedded autonomy, understood as the ability of the State to penetrate the entirety of the fabric of society, using its capacity and capabilities, to develop strong relationships with social actors. Gore (2013) describes it as the State's internal cohesion and external cohesion, that is, its bureaucracy or corporate identity, and its connection with social actors. DS, due to the suppressive East Asian models of DS, and the advocacy for development of strong relationships between the State and the private sectors, has been criticised of class bias. Mollaer (2016: 4-6) argues that in DS the tendency is to conceive of social relations without recognising class conflict, which is why there is emphasis on development of relations with the private sector to exclusion of labour. This is an important element to bear in mind in the context of this study and in thinking about embeddedness of the State. Serpa and Ferreira (2019) suggest that it is the process through which bureaucracy is formalised, redefined, reinterpreted and reclassified with the purpose being to ensure capacity for control and reach of the institutional structure. Control and reach are accomplished through use of various associations and mechanisms to engender industrial policy and to ensure free flow of information (Schneider 2015; Wade 2005; Wood 2003; Hirsch 2005). This is Pempel's (1998: 14) "socioeconomic coalitions, political institutions, and public profiles".

Embeddedness generally prevails, and in different forms, and can be both positive and negative. This is illustrated by Negoita's (2018: 177-181) typologies of embeddedness. First, *conservative embeddedness*, where the State relates to one elite group and keeps others at bay. Second, *entrepreneurial embeddedness*, depicting close ties between the State and the capitalist elite, coupled with suppressing subordinate classes through coercive means. Third, *inclusive embeddedness*, wherein the State is centralised, has relative autonomy in relation to the dominant elite group, and marginalised groups enjoy relative freedoms. Fourth, *network embeddedness*, which is influenced by

demands for greater freedoms by the marginalised and uncertainties due to globalisation. Fifth, *fragmented embeddedness*, where the State is highly embedded in both elite and civil society groups, and all social actors are contesting power, but none has predominance. Sixth, *captive/repressive embeddedness*, described as a State where an “initial fringe elite group becomes all-powerful, destroys old elite groups, brutally represses subordinate groups, generates a new social order” and blocks others. Arguably, some features of these typologies manifest at the same time while at other times one or the other is dominant. What is of importance, however, is that societal transformation progress or regress occurs depending on the state-society relations prevalent at the time.

Autonomy implies ethical conduct, self-discipline and the ability of the bureaucracy to extricate itself from capture by social actors. This derives from the influence of Weberian principles about the State as a rational and not patrimonial entity, because the latter corrodes the ideological and ethical character of the bureaucracy (Mkandawire 2001). Evans’ (1995) autonomy is explained in his three types of states. First is DS, which is the ideal type of structure to fulfil this role given the internal and external capacity attributes to discipline itself and to interact with dynamic and complex environments. Second is the predatory State which is without internal discipline and is ruled by the invisible hand. Third is the intermediate State that is incoherent and lacking in capacity to manage and develop synergies with a complex internal and external environment. The intermediate State, according to Wade (2014: 8),

pursues interventionist policies but to generally bad effect because captured by special interests and therefore lacking in relative autonomy and probably lacking in expertise as well

Downs’ five categories of bureaucrats (Downs 1957; 1960; 1964) suggest that human behaviour is far more complex than proposed in Weberian thinking. His first two categories, that is, climbers and conservers, view the system as being at the service of personal advantage. The last three, that is, zealots, advocates and statesmen, have mixed motives that are both personal and driven by the idea of bigger goals.

An often-repeated argument is the politicisation of the bureaucracy as a constraint, with consequences for bureaucratic deviation (Page 1992; Bauer and Edge 2016). A depoliticised bureaucracy is a fallacy because it assumes that administration can be separated from politics (Rishel 2012). Hearn's (1978: 45-48) Maoist concept of bureaucracy, that is, the "rationalization of consciousness", means the politicization of all aspects in decision-making and the expansion of areas hospitable to critical discourse. This conceptualisation recognises that issues of ideology, culture and consciousness do not necessarily flow from the technical, hence the importance of integrating the ideological content and the development of consciousness into the operational policy formulation because, holistically, they carry economic and political purpose. This leads to the development of a rounded bureaucrat who, whilst politically reliable, is also an expert in their work, and the expert develops political reliability, thereby mitigating against the development of sharp contradictions of the political from the rational bureaucrat (Vogel 1974: 165).

While the public choice approaches demonstrate an anti-government sentiment devoid of serious interpretation of the behaviour of complex public service structures, they also reaffirm the human side of government (Simmons 1999: 277). The challenge is to develop Caughey *et al*'s (2009: 3) administrative cohesion, that is, a single set of corporate goals, where obstacles to collective action may be overcome and mechanisms to interact with political actors as a unified organisational entity are developed. Herein, Bauer and Edge (2016) note that autonomy requires differentiation in the administration to enable bureaucratic capacity to develop preferences that can, potentially, differ from those of the political head. This is important since bureaucratic autonomy depends on statutory powers and administrative roles.

These are critical perspectives to consider in a country like South Africa, seeking to establish DS in an unpredictable global environment, with implications for national priorities.

3.3.4.1 DS: *What Models in the 21st Century?*

The post-Cold War global context has resulted in the abandonment of favourable economic transformation and development interventions for the developing countries,

or “transformative capitalism” (Wade 2004: Iiii). Restrictions for former colonies to markets of industrialised nations, including where they once had access, hamper development (Sandbrook 2005; Stevens and Kennan 2005; Zizhou 2009). The British government’s 2020 decision to reduce development funding led to two related developments, that is, reduction of foreign aid by £4.5 billion, which is 0.5% of gross national income and lower than the 1970 United Nations Resolutions target of 0.7% in official development assistance (Holland and te Velde 2021). On the other hand, redirected aid support went to internal departments for the development of the local private sector, to benefit foreign trade relations (Newman and Stevano 2020). Imperialist agendas of the British Empire and of the United States, from East Asia to the war on terror, have shaped and distorted the present development patterns of the vanquished countries. They are a dependent and independent relationship to capitalist interests of powerful countries (Barrett and Chin 1987; Haggard and Cheng 1987; Kohli 2020). For example, although poor countries are expected to meet challenges of climate change, they require both the finance and technology from the powerful countries.

Significantly, the late twentieth century global agenda emphasised greater liberalisation and the removal of interventionist measures in the economy by the state. Where the distortions are introduced the effects of trade liberalisation are said to be minimal, and not encouraging of greater integration of developing economies into global ones (Dean *et al* 1994). On the positive side, lowered trade barriers contribute to growth of foreign investment and having rules at international level constrain powerful economies and enable the poor countries to access financial support. On the negative side, global integration creates dependency, carries risk of political interference from outside, and the multilateral institutions are used as tools in the hands of the wealthy nations to impose undesirable conditionalities on poor nations (Peet 2003). The latter set of conditions, in the context of globalisation, have often led to weak states (Jotia 2011) and need for institutional capacity to resist (Cammack 2012). This shows that global integration has both negative and positive aspects (Haggard 1995). Despite the challenges. nation states are resilient and have the capacity to adapt policy instruments in the face of global challenges (Weiss 1998). Instead of rendering states impotent, globalisation has reconfigured the institutional form of the State,

impacting on them to develop alternative means to coordinate the management of the economy (Jayasuriya 2001).

The genius of DS resides in both its ability and capacity to be cognisant of the complex, yet dynamic, relationship between the internal and external environments (Hobson 1997). According to Öniş (1991), DS in globalisation imposes a three-fold logic based on an understanding of having synergy between the divergent approaches of the neoclassical and heterodoxy critical to industrialisation. First, there is a strong and autonomous State that directs markets; second, that markets do not operate in a vacuum but draw from a long-term national rationality developed by State bureaucrats; and third, that development is a result of the synergy formed between the State and the markets. Arguably positive elements of developmental regimes (Pempel 1999; Booth 2015) and authoritarian DS (Matfees 2018) should be incorporated in both the theory and practice of DS, where applicable. The outlook and actions of the state, albeit local, should be global as well, to help the DS strategy to adapt and take advantage of the conditions that prevail at pivotal historical moments (Cumings 1987; Deyo 1987; Loriaux 1999).

The geopolitical and technological transformation of the twenty-first century, still underway, is characterised by the rise of China as a global leader. Global developments in the twentieth century were largely shaped in the shadow of US foreign policy, viewed as a unipolar world. Doshi (2021) argues that while the US favoured the strategy of containment in its engagement with the Soviet Union, China's is a displacement strategy. Arguably, China intends replacing the US, using a three-pronged tactical approach of coercive capability, consensual inducement, and legitimacy. By implication, China combines compliance, blunt force and incentives to establish its legitimacy. Osnos (2014) suggests a nuanced understanding of China that transcends the juxtaposition of communism versus free markets, but one located in an unprecedented socioeconomic, cultural, spiritual, continuous remake. Inherent in this transformation is technological development and entrepreneurship. Aware of the present global challenges, including climate change, pandemics, regional powers, and global conflicts, Saunders (2021) calls for cooperation with China as opposed to viewing it as the new evil to replace the now non-existent Soviet Union. This is a

challenge in Biden's (2021) cooperative-competitive paradigm, framed within an adversarial context of democracy versus autocracy.

The twenty-first century, therefore, poses qualitatively new questions to the global environment of developmental states. What does integration into the global environment mean, with specific consideration given to Haggard's (1995) three propositions. First is the extension of rules beyond trade to include investment where there is market accessibility and fair play for a country's own multinational companies. Second is the need to address differences in national regulatory frameworks that discriminate against trade and investment and, as such, generate unfair competition. Third is managing tensions in systems between national institutions.

3.4 CONCLUSION

Arising from this chapter is that State participation in the economy is critical to economic development and growth. While political systems are important to understand in how they impact or shape various State interventions, for states to advance developmentalism they require institutional capacity and capabilities at various levels, mindful of their domestic realities and located in an understanding of the global environment.

The discussion in this chapter has argued for a pragmatic approach to DS, including the various elements that spurn its construction in each environment. The next chapter examines the experiences of DS in different global contexts.

CHAPTER 4

A COMPARATIVE, HISTORICAL AND PRACTICE OF THE DEVELOPMENTAL STATE

4.1 INTRODUCTION

This chapter is part of the chapters that comprise the literature review. It discusses the works of key contributors including, among others, Johnson, Wade, and Amsden, to show DS manifestation and practice in the post-World War 2 era. The previous chapter highlighted their contribution to DS theory.

The chapter examines the different experiences of DS globally, how they were impacted by different conditions nationally and globally, and how states have sought to adapt to changing environments. Countries and their conditions differ and so too does their development (Ferraro 2008). Looking at different experiences, even in the same region or country, enhances understanding. Evans (1995: 18) notes that,

in the comparative institutional approach, the state is seen as a historically rooted institution, not simply a collection of strategic individuals. The interaction of state and society is constrained by institutionalised sets of relations. Economic outcomes are the products of social and political institutions, not just responses to prevailing market conditions. Understanding diverse outcomes is the aim, not forcing cases into a generic mold or onto a one-dimensional scale.

Locating individual states in their own environments enables the identification of events and key agencies to transformation.

4.2 JAPAN'S CAPITALIST DEVELOPMENTAL STATE

Bureaucracy was central in the planning and execution at pivotal moments of change in Japan (Pempel 1992) also in developing the quality of public policy (Tsuneki 2012). Market-conforming methods were formulated and developed by a bureaucratic elite selected from the top achievers in the system that sat for a high standard quality examination before appointment into the civil service. They were assured of

progression and professional growth in the system, and commensurate remuneration and other benefits during and after their service.

Japan's bureaucracy preceded the Diet, or parliament, and the formation of political parties. The Meiji oligarchs had sought to insulate themselves and hold on to power through a bureaucracy and weak parliament. However, drawing from their expert training after national unification and, possibly, dislike of pre-war Japan's bureaucrats, the new cohort gained ascendancy based on their claim of representing national interests (Johnson 1982: 37-38).

An institutional architecture pilot agency was created to insulate the bureaucratic elite that formulated and implemented policy and served as the means for continuous learning. The bureaucratic elite were entrusted with the responsibility to develop and maintain relationships with the private sector, through associations that enabled regular consultation, cooperation and shared understanding of goals, free flow of information, and implementation. To perform their task effectively and efficiently the bureaucratic elite had room to take the initiative and act separately from the political leadership. As Johnson explains, "the politicians reign and the bureaucrats' rule" (1982: 314-320). Tsuneki (2012: 50) calls it a bureaucracy-led political system, where the political elite legitimises, not inhibits, actions of the bureaucratic elite and their agencies.

Japan's Ministry of Trade and Industry (MITI) was such an entity (Koshiro 2017; Fukukawa *et al* 2017). Through the policy of industrial rationalisation, it had the scope and power to intervene on the monetary and financial policies and regulations to, among others, allow for the importation of needed technology and to ensure availability of cost efficient or low-cost credit for targeted industries (Johnson 1982). It adapted policy at different moments to ensure that it meets the changing realities (Koshiro 2017). Policies between 1960s and 1970s differed to those of the 1980s. For instance, MITI played a critical role in creating counter measures to liberalisation until the reorganisation of the economy was completed (1982: 278). This emphasises how necessary institutions are to ensure effective formulation, coordination, implementation and monitoring of policy. The central driving force of economic

development is the industrialisation of the economy, hence emphasis on industrial policy with a focus on manufacturing (Ohno 2018). The priority production system was the policy approach and economic planning method where scarce resources were concentrated in a few key industries to catalyse economic recovery (Ohno 2018: 153-154), that is, ““pick-the-winner” industrial policy” (Anderson 2004: 1). The objective was that the few key industries will have a spillover effect on the larger economy. MITI created domestic capacity through establishment of new industries, focusing on technology and skilling, and looking into international export (Rimmer 1989).

State-market relationships, essential to the capitalist DS, were developed with the *keiretsu*. The structure of the *keiretsu* that is consolidated and brings together all types of corporations inside it, including a bank, provided a useful and pragmatic means through which the state could relate to the private sector. The *keiretsu* had been weakened by the 1920 economic crisis and decimated after World War 2, and MITI took advantage of the situation (Okita 1992) by assuming leadership to provide stability, better coordination, and ease of financial assistance to the identified industries. This also meant that the state could ensure tighter control while enabling private business to thrive and implement its industrial policy strategy (Okimoto *et al* 1984). Autonomy was maintained through, on the one hand, the powerful but not influential agriculture sector, that is the constituency base of the Japanese politicians, and on the other, the weak but influential industrial sector that provided its financial backing.

The presence of a superpower, in the form of the USA, was key to Japan’s successful recovery and growth. It was critical to the country’s economic stability and establishment of a fixed exchange rate (Hamada and Kasuya 1992). Johnson (1982: 289-295) showed that the US provided Japan access to global markets and ensured its participation in the Organisation for Economic Co-operation and Development (OECD) from as far back as 1964, creating strong business partnerships, competitiveness, technology transfer, capital resources and managerial skills. Japanese leadership had quickly adapted in the 1970s when the US extended relations to China, which was also the moment of upward re-valuation of Japanese currency, ending of exchange controls, resolution of disputes with the USA on textiles and the introduction

of a relief programme for Japanese textiles, as well as heavy investment in industries purported to have been adversely affected by liberalisation.

In summary, the war situation that had decimated the country, including capital, provided conditions for economic recovery urgency. There was cooperation between the state and capital, the former occupying an upper hand. Presence of a foreign power created a national mood for independence while providing an enabling environment to trade and compete globally. The State demonstrated trust in its bureaucratic economic elite to drive the process of transformation. Creation of an insulated government ministry with authority to plan, coordinate and implement State-wide industrial policy added to learning. Control and management of the economy ensured the state could make the necessary interventions and direct economic investment.

4.3 THE ASIAN TIGERS, THE THIRD GENERATION

The Asian Tigers, that is, Hong Kong, Singapore, South Korea and Taiwan, are regarded as examples of unprecedented, rapid economic growth and development over a sustained period, unseen anywhere else after World War 2 (Shirley 2014). Asia presents an interesting iterative regional developmental model, with Japan as precursor, anchoring industrialisation whereupon the Tigers built, succeeded and displaced Japan to some extent, followed by the ASEAN countries – Indonesia; Malaysia; Philippines, Thailand, who repeated a process like their predecessors (Abouzaid 2016). This aspect is examined further when discussing similarities and differences between and among them.

Wade (1990; 2004; 2005) highlights that in East Asia the State intervened in the economy to correct market imperfection and ensure investment in areas of potential growth. It became directly involved in ensuring what and how the markets responded, or better still, implemented its industrial policies. At its core, governed market theory, combines industrial policy and industrial performance with the capacity of the state in terms of its political and institutional design to facilitate public and private engagements (Wade 2004). It was central planning, not central allocation, where the state exercises its right to ‘manipulate’ economic factors within its boundaries for

economic growth and development. According to Wade (2005: 99), this version of DS meant “public authorities intervening to alter the composition of economic activity within their borders, in line with an economy-wide exercise in foresight about the economy’s future growth, in the context of capitalist economy.”

The State, through selective industries and sectors, decided on where and how investment would occur. Gore (1996) notes that selective policy interventions, appropriately utilised, are an essential component in the State’s arsenal for growth and development. Combining industrial policy and industrial performance with the capacity of the State, that is, its political and institutional design, the State was able to facilitate public and private engagements (Wade 2004). The State invested in critical industries that would have only participated in the national economy, thus miss international exposure and competitiveness, and where the private sector would, otherwise, not invest. The industries were expected to make the necessary transfers to new production techniques and technologies, as they sought to respond to global needs. Therefore, as Singh and Ovardia (2018) note, the State implemented specific policy interventions to direct and manage, that is, “guide” or “govern”, allocation of resources to stimulate other kinds of production and alternative investments to influence the market. The political and institutional arrangements in the design of the state structure facilitated state-ideology and state-business decision-making and participation to support industrial policy to incentivise, control and ensure risk is shared (Önis 1999).

Amsden (1989; 1991; 2005) demonstrates how East Asian states used subsidies to support specific industries to boost manufacturing, contrary to the market logic of comparative advantage. Incentives encouraged technological advance and performance in local firms. Simultaneously, industries that deviated from the intention of the subsidies were disciplined through withdrawal of funding, thus improving performance and productivity, while eliminating State inefficiency. This was termed reciprocal control mechanism, that is,

Reciprocity disciplined subsidy recipients and thereby minimized government failures ... Recipients of subsidies were subjected to monitorable performance standards that were redistributive in nature and result oriented (Amsden 2005: 222).

The State favoured certain industries, invested in them extensively, and facilitated their exposure to a competitive international environment. Industries were selected based on potential high yields and elasticity in line with demand in the global market, labour productivity growth and rapid technological advance (Amsden 2001). Industries not worth investing in, that is those that would not contribute to growth, were ignored and left to the vagaries of the market. The Korean state set prices “wrong” through use of subsidies, quotas, price controls and restrictions on capital flows, and guided and promoted business activity (Clifton *et al* 2017). Price distortion enabled the State to manage potential risks and catalyse greater investment in the strategic sectors (Amsden 1991).

4.3.1 Planning and Implementation

Much like Japan’s MITI, South Korea, Singapore, and Taiwan created similar mechanisms to “achieve an equilibrium between autonomy and accountability” (Öniş 1991: 115; Yeung 2017), for planning and technical capacity (Leftwich 1995; Chibber 2002), interaction with social actors (Seddon and Belton-James 1995; Wade 2005), overall intervention in the economy (Koo 1987; Saloojee and Pahad 2011) and to create synergies (Baghi 2000).

The structures were centralised and subordinate to the Presidency and allies to ensure they pursued State interests. Accordingly, Lie (1998) notes that South Korea’s Economic Planning Board (EPB) was under the deputy prime minister, where all planning responsibilities, economic decision-making and power was concentrated. Yeung demonstrated the link between the political elite and the bureaucratic economic elite in the pilot agency to ensure political mandate:

This subordination of the elite bureaucracy, such as the EPB, to regime interests was made possible through a highly centralized political structure controlled tightly by Park and his trusted allies. His close and personal monitoring and enforcement of regime interests ensured that developmental policies drafted by technocrats, while insulated from certain social pressures, were well aligned with his own political ambitions and beliefs (2017:15).

The Council on International Economic Cooperation and Development (CIECD) of Taiwan was chaired by the Vice Premier, who was the third ranking political leader in the State, and the Industrial Development Bureau, its operational agency, was in the Ministry of Economic Affairs (Wade 2005). As a result of personal relationship

between the political leadership and the official responsible for the bureaucracy, the latter enjoyed autonomy and CIECD was institutionalised (Koo 1987). This kind of environment enabled bureaucrats to act with sufficient confidence that the political leadership provides direction and supports their actions and decisions. It also provided state-wide coordination, coherence and discipline, as noted by Chibber (2002:985):

the ability of its political leadership to institutionalize mechanisms that blunted the tendency toward state fragmentation, mainly by giving the nodal agency in economic policy – whether the EPB or the CPHCI – a power over other agencies, a power to impose discipline within the state.

The agencies created the space for a flexible policy regime that could be adaptable to changing environments. MITI, in the first period between the 1960s and 1970s, focused on export industries with production geared towards technologically sophisticated consumer products. In the 1980s, the focus was on high-growth technology industries, and attention turned to tax incentives, public-private sector partnerships, and the depressed industries (Coates 2002: 213-223). South Korea's first two five-year plans focused on self-reliance, identification and perfecting of State instruments, while the third plan focused on rural economic development, exports, and the establishment of heavy and chemical industries (Lie 1998). In the first two plans, respectively, protection of infant industries was coupled with cheap labour and investment in technological advances, and education geared towards high skilled labour as the economy transitioned from light industries to the complex, heavy and chemical industries (Abouzaid 2016). Investment in local firms and their production capacity creates learning towards the alignment of skills and expertise to manufacture high value-added products and improve wages (Amsden 1994: 2001). The closing productivity gap in the Korean economy is testimony to the movement away from an industry structure based on low wages and labour-intensive industries to one of capital and research and development intensive sectors (Cheon 2014: 215). The challenge for developmental states is to enhance learning to develop capacity and capability for catch-up and development (Nübler 2014).

Insulation of bureaucrats from pressures of interest groups enables its immediate and impactful responsiveness and enhances its capacity to maintain alliances with the relevant social actors (Seddon and Belton-James 1995). Furthermore, the state relies on the performance of companies, their consistent monitoring and evaluation of the

available information upon which decision-makers rely (Siddiqui 2016). The Korean Export Council and Export Association had highly developed monitoring capacity, monitoring exports and port activity hourly, meeting monthly – initially joined by President Park – to evaluate progress and discuss policy measures to improve performance (Amsden 1989; Schneider 2015: 118). Institutional arrangements for embedded autonomy involved, among others, established councils comprising government, business associations and experts, to deal with multi-sectoral issues such as planning, exports, infrastructure, sectors and industries – these were closed to the public (Campos and Roodt 1996). There were developmental associations of and by the private sector, wherein business stood in for the state in collecting and monitoring of information, distributing of funds, and ensuring they were used for designated activities, and sanctioned companies that acted incorrectly through exclusion and withdrawal of incentives thus making them struggle (Maxfield and Schneider 1997; Doner and Schneider 2000).

In addition to the Tigers, industrialisation emerged in other parts of Asia, including Vietnam, India and China.

4.4 CHINA'S MARKET SOCIALISM

According to Breslin (1996) China's developmental strategy is incoherent, comprising two unique elements. First, decentralisation, with devolution of economic decision-making to local government, or "fiscal federalism". Second, openness to foreign direct investment which was important for growth and competitiveness. Openness to FDI is not a liberal open-door type of policy, but one determined on national sovereign terms, thus characterising China as a post developmental state (Önis 2018: 9). Lack of a coherent developmental strategy arises from three factors that characterise the state: (i) the political logic of economic reform, referring to political demands that impede the strategy; (ii) devolution of economic power, specifically economic decisions; and (iii) the influence of China's interests. These factors both propel and impede reforms, for example, protection of interests of the political elite; seeking to balance different policy approaches among elites; avoiding a situation where one faction, or region, or social actor loses too much; and lack of experience to utilise and control market

mechanisms may affect the actions of the State. The state uses the budget as a balancing tool to make all types of subsidies just as it spends on developmental projects, thus creating an expansive approach.

The political logic of economic reform draws from the work of Shirk (1992; 1993) who suggests that at the core of the character of the Communist Party of China is maintaining internal cohesion and unity. This requires a delicate balance between different contending factors internal and external to the Party and, therefore, impact its approach to economic change. This highlights what was earlier referred to as the tension between modernisation and revolution, which includes the rule of law as part of governance, as adopted in the 18th National Congress (CPC 2012) and affirmed by the Central Committee as the essential requirement and important guarantee for socialism with Chinese characteristics (CPC 2021). This characterises Xi Jinping's Thought on the Rule of Law anchored on law-based governance, a people-centred approach, and adherence to constitution-based governance (Hairong 2022:24).

China bears similarities with East Asian states with its leadership commitment to economic development, and a bureaucracy that guides, coordinates, and disciplines markets (Nee *et al* 2007). Since the dynastic periods, China has had a meritocratic government with an educated elite, and provincial and local government were already important (Reynolds 1983: 940).

There is direct State participation in the economy, for example, energy and transport. State-owned enterprises enjoy tax breaks and financial transfers. China's Commercial Bank Law directs banks to conduct business in accordance with national economic and social development needs guided by industrial policies. Sectors like farming, when adversely affected by market prices, are protected (Breslin 2018: 7-8). Önis (2018: 10) characterise this economic management and financial control as "authoritarian strategic capitalism".

State-society relations reflect an intolerance of dissent that is, however, bifocal, combining repression and incorporation (White *et al* 1996; Howell 2008). Incorporation is inherent in the State's conceptualisation of integrating industrial

relations into its national development strategy (Gore 2013) and is the dominant catalyst for economic development (Zhu 2015; Yu 2014) that recognises the significance of labour in enabling it to advance development goals in a national and international trade and labour market environment. These interactions, particularly at local government since the 1990s, have indicated a bias towards capital over labour given their objective to create an investment-friendly climate (Pearson 1997; Dickson 2003).

There are complex relational structures covering national, provincial, district and municipal governance (Chen 2017; Zhu 2015). Civil society can be thought of in four categories: the *caged sector*, traditionally mass based organisation with historical roots and allegiance to the Communist Party; the *incorporated sector* – organisations legalised to operate; *the limbo world* – formations that operate in a quasi-legal fashion; and the *suppressed sector* – those organisations that operate underground and are viewed as a threat (White *et al* 1996: 15-26). The township and village enterprise (TVE) model reflects an exploitative nexus between local government, local party leaders and local enterprise over rural workers and peasants (Lee 2014). This further adds to a corrupt authoritarian political capitalism, which threatens a sustainable and credible developmental state (Hung 2009; Lee 2014).

This reflects a dysfunctional developmental approach (Breslin 1996: 692-694). Therefore, it is necessary to examine China's developmentalism in an environment of conflict and contestation between tiers of state and various social classes, wherein the State has shifted emphasis from efficiency and profits to justice and harmonious society (Lee 2014: 102-125), or the "Chinese nation's great rejuvenation" (Chun 2006: 2). Unfortunately, China was erroneously overlooked in early DS literature because it was outside of the capitalist developmental state analytical framework, "despite the growing importance of markets and private investment in its development" (Evans and Heller 2018: 4). This error manifests as China's growth spurs the developmental state debate into complex perspectives (Evans and Heller, *op. cit.*) and impacts Asian economies and the world (Li 2002: 263).

4.5 THE INDIA PARADOX

In characterising India, Evans and Heller (2018: 10) suggest that “no state in the global south has so defied clear categorization and prompted so much debate.” India, large and complex like China, was considered a developmental state during the Nehru years (Chandrasekhar 2001). It established a non-statutory planning commission in 1950, reporting to the Prime Minister, to formulate economic policy and develop five-year plans. (Rao 1986). According to Kudaisya (2008) enthusiasm about planning and the commission waned, with economic decision making going to other agencies, as well as development planning being overshadowed by economic management. Therefore, Bagchi (2007) argued, although the institutions of planning continued to exist post-liberalisation in the 1990s, the commission had lost relevance. The commission was replaced by the National Institute for Transforming India (NITI Aayog) in 2014, chaired by the Prime Minister, which Patnaik regarded as the end of looking after interests of all classes (2014: 10-11) and a completion of India as a neo-liberal state (2015). Chatterjee (2022) however argued that while pro-business State intervention has been more aggressive and direct under Modi, drawing from his Gujarat model.

Post-World War II India’s state-led industrialisation saw the State using various financial and monetary tools at its disposal to promote economic development (Dhar 2018). Reforms linked to liberalisation and globalisation, although considered positive for growth in comparison to a previously rigid State, came at a great social cost with unemployment for the under-skilled and unskilled workers (Dreze and Sen 1995). Reforms favoured an increase in imports rather than exports, reduced state spending and lowered industrial demand, thus impacting agriculture negatively (Patnaik 1997). Despite growth, India has lagged its regional counterparts because it neglected investment and public spending in social development (Dreze and Sen 2013: 2002). However, in different phases of development, State support and investment expenditure gave impetus to a burgeoning middle-class, and the rural rich, which took advantage of the reforms (Chandrasekhar 2001). Nevertheless, India lacked a cohesive domestic pro-active sector (Muzaka 2018) and a national capitalist class committed to development because, for the most part, its private sector was resistant to State intervention which it saw as meddling in its investment decisions (Chibber 2014).

According to Kohli (2005: 182-183), despite India's economic growth its prospects for inclusivity are discouraging given that the country's developmental capacity is middling, efficacious as in East Asia and poorly performing as in sub-Saharan Africa.

The bureaucracy inherited from the British colonial powers was instrumental in ensuring that the country continued to be governed centrally (Jalal 1995: 18). In confronting the liberalisation agenda, it did so without a strong State, which involves a coherent and decisive dominant party (Mohanty 2001). Lack of an in-depth analysis of India's developmentalism, understanding its history, challenges and contradictions (Despande and Acharya 2001) makes it difficult to concur with Evans and Heller (2018:13) that the country lacks qualities of the Asian developmental state and the capabilities that would enhance it in the twenty-first century. Furthermore, India's developmentalism occurs in the face of de-industrialisation wherein the country aimed to be the powerhouse of global knowledge with its focus on technology (Muzaka 2018).

4.6 CONVERGENCES AND DIVERGENCES IN ASIAN STATES

Evans and Rauch's (1999) quantitative analysis study present an evaluation of bureaucracies of four Asian countries on Weberian characteristics of meritocratic recruitment and predictable career paths. From the four - Singapore, Malaysia, Thailand and the Philippines - Singapore was overall the most Weberian. Malaysia stood closer to Singapore and Thailand than to the Philippines which was at the bottom of the ladder. As noted in the previous section, the strong Weberian features in the Singapore model derived from cross-pollination between a one-party militarist structure and the legacy of the British colonial administration, which also incorporated expatriates into the system (Yeung 2017).

The historical context influences the developmental states that arise (Cumings 1987). As the authors show, Singapore's colonial history and absence of threat of military takeover is dissonant to Northeast Asia's context. The influence of ethnic politics is prevalent in South and Southeast Asian countries where, for instance, Malaysia's goal was to transform socio-economic conditions of the indigenous populace,

“consociationalism” (Loh 2014: 116). Compared to Taiwan and South Korea, Singapore and Malaysia, like Indonesia, have not succumbed to calls and protests for Western-style multi-party liberal democracy, but continued with single-party rule despite economic growth and development (Lo 2014; Evans and Heller 2018; Yeung 2017). This debunks the narrative that growth and development lead to liberal multi-party democracy (Hsiao and Hsiao 2014; Kim 2010) and asserts that through strong state capacity the political elite acquiesces in greater participation (Doner *et. al.* 2005; Slater and Wong 2013), that is, “strong state democratization” (Slater 2012: 26).

State-society relations in Singapore show that the State leveraged the symbiotic relationship it had with the trade union congress since the colonial struggle, to navigate difficult moments and assist the country’s competitiveness and implement favourable conditions for workers (Yeung 2017). In this sense, Singapore is different to the other Asian economies where state-society relations were confined to state-business interactions. In Vietnam, the state – a dominant single-party State – has not continued to share a similar relationship with civil society, which includes labour, as it proceeds with the liberalisation programme (Hoà 2019; Gainsborough 2010). State-society relationship and embeddedness, especially with civil society, points to a state-controlled and civil society-dependant symbiotic relationship evolving from liberation struggles against colonial rule (O’Rourke 2004). This allows for an interesting examination of other types of developmental states, as well as aspirants, which may have gone through similar struggles for liberation.

In Singapore and the Philippines, the State, through the various legislations, bought land at low prices from some landlords to use for public housing and industry, also for agrarian reforms. In Taiwan and South Korea landlordism was abolished pre-industrialisation (Kay 2002). The Philippines is a rent-seeking, clientelist elite state lacking strong institutions, is resistant to popular power and participation and unlikely to deliver a developmentalist outcome (Törnquist 2002; Cruz *et al.* 2017), yet incomes are higher in the Philippines than in Vietnam, but life expectancy is substantially lower and poverty rates are higher (Evans and Heller 2018: 9-10; Timmer 2004). This strengthens the contention of both Li (2002) and Tang (2000) that the priority for the

East Asian developmental states was economic security, and reduction of poverty and income inequality were considered later.

Vietnam's DS, like China, advances a socialist market or market socialism model and its reforms in the 1990s and 2000s led to high growth rates, improved social welfare and poverty reduction in both the rural and urban areas (Hoà 2019; Masina 2006; 2012). Resonant with China, social and welfare policies were a means to economic and structural transformation aimed at quelling potential political stress on state-led interventions (Chang 2003). They are also a "key bridge" for the state-society relations (Hoà 2019). The state phased in the introduction of the industrial strategy, selecting key industries to invest in and phasing out investment or consolidating it at opportune stages to leverage another opportunity (Pham 2012). A phased planning and implementation approach was common in these countries; so too were strong State institutions which vary between the North, centralized, and the South, decentralised and more personal instead of institutional in its state-society characteristics (Dell *et. al.* 2017). State capacity and institutions in Vietnam enabled control and management of the pace of reform, both in relation to its interaction with internal social actors and in dealing with the international dynamics, thereby remaining independent from the demands for greater liberalisation and deregulation that were brought to bear on it by the neoliberal and globalisation agendas (Gainsborough 2010). Vietnam maintained a course with one leg being developmentalist – akin to import-substitution industrialisation of the early East Asian states – and the other leg neoliberalism, with a strong gradualist interventionist approach that diverted it from succumbing to the Washington Consensus (Masina 2006; 2012). Key is a strong developmentalist mindset, that is,

a set of ideas about the primary purpose of economic activity, the central goals of the state, and the appropriate role of the state in achieving these goals. (Thurbon 2016: 16)

A single party State remains dominant notwithstanding the existence of civil society alongside it.

4.7 DEVELOPMENTALISM IN LATIN AMERICA

Developmentalism, synonymous with Latin America (Schneider 1999), was rekindled by the Pink Tide governments (Bresser-Perreira 2016; Wylde 2018; Clark 2022; Clark

and Rosales 2022) who sought to use the accompanying global commodity boom for social and economic inclusion (Escobar 2010); and develop partnerships with business and investors (Saad-Filho 2020). Although developmentalism is diverse (Orihuela 2019) Latin America sought to emulate the USA through creation of development corporations like the US government's Tennessee Valley Authority that was a response to the Great Depression of 1929 (Orihuela 2018; Leáo 2018).

Latin American development was characterised by state decision-making on investment, or “political capitalism” (Schneider 1999); partial exclusion of popular sectors depending on regime type at specific historical points; and lack of professional bureaucracy (Centeno *et al* 2018). Political capitalism means capitalist accumulation in the public and private sectors is a result of political decisions instead of an outcome of markets, since a range of economy-related issues are decided by policymakers (Centeno *et al*, *op. cit.*). Policymakers often applied regulations discriminately (Schneider 1999). In Argentina, Brazil and Mexico the state committed to industrialisation, investing in sectors that impacted other areas of the economy such as steel, petroleum, chemicals and aeronautics (Schneider 2015; Catalan and Fernandez 2018). In addition to protectionism in an ISI oriented economy the state was regulator, employer and investor (Soederberg 2001) but the private sector was the beneficiary (Schneider 1999).

This situation came under challenge during liberalization, leading to privatisation of State assets while maintaining golden shares – meaning it had veto power – in Brazil (Schneider 2015: 128), and a shift towards competition US-style in Mexico (Soederberg 2001), as well as the total dismantling of the developmental state in Argentina (Catalan and Fernandez 2018), that is, Argentina's “absent state” (Cohen 2012: 106). Despite the shift and departure from protectionism, previous redistributive policies favourable to workers, investment in education and skills (Schneider 2015, Catalan and Fernández 2018; Centeno *et al* 2018; Leáo 2018) were maintained and advanced through the profits accruing from the commodity boom. Unfortunately, this was unsustainable because there was lack of economic diversification, and the increase in commodity production did not translate into growth of secondary and tertiary sectors (Clark 2022). On market regulation, the Argentinian State targeted macroeconomics

and industrial policy, implementing an exchange rate policy, creating a “stable and real exchange rate” (Frenkel and Rapetti 2012: 217) that resulted in growth greater than at any other time in the pre-crisis period, with growth in manufacturing between 2003 and 2007, growth in exports, sustained surplus in the current account, sustained fiscal surplus, reduction of national debt, and increased spending on welfare (Wylde 2018).

State-society relations arise out of a conflictual history of revolutions, class conflict and military dictatorships (Reynolds 1983: 954-5; Hernández 2022). In most cases the State sought to maintain conflict-free situations (Centeno et al, 2018; Leáo 2018) in a context of powerful landowners, and more so in Brazil, with the interest in free markets for their export-led agricultural primary products (Catalan and Fernandez 2018). There was exclusion of social groups in Brazil (Schneider 1999) and in Mexico there were attempts to maintain relationships with civil society, in particular labour, coming from the revolutionary period (Soederberg 2001). These relationships were strained in the context of liberalisation policies, that is, the paradox of revolution (Middlebrook 1995). Due to lack of State capacity a clientelist tendency was evident (Leáo 2018). In the states of Bolivia, Ecuador and Venezuela, the state attempted embeddedness through the establishment of associations of civil society that would engage with the State, ensure common consensus on, and working together towards, achievement of development goals. The results were different in all three realities. In Bolivia and Ecuador, because of links that had existed with the governing parties – especially Bolivia – could be thought of as an intermediary State, whereas Venezuela, despite various attempts and reliance on the Chavista, became a predatory State (Clark 2022; Clark and Rosales 2022). State capacity in Brazil, specifically the bureaucracy, was political, also contained pockets of excellence (Schneider 1999; 2015).

Argentina post-2000 sought to determine a new social contract that included, first, expanded welfare and employment, and an increase in the minimum wage to benefit the poor and working class; second, labour participation at the periphery of programmes since job creation stretched beyond the formal sectors; third, inclusion of the middle class strata through creation of a stable macroeconomic environment with a favourable exchange rate policy; and fourth, an export growth that benefited the agro-

industrialists (Wylde 2018: 1123). This was undone due to three factors: (i) export tax increases on various agricultural products that were resisted by rural oligarchs and trans-national companies in the agri-business and unwittingly mobilised medium and rural producers; (ii) rejection of haircuts and debt swap by creditors and using foreign courts to litigate against the state to repay default debts and interest, causing a technical default in 2014 and locking Argentina out of the international capital markets, thereby reducing its access to foreign currency; and (iii) the widespread unrest of 2012 caused by the middle class protesting over foreign exchange restrictions, cuts in imported goods and high inflation, as well as organised labour protesting lower wages as a result of inflation and demanding further welfare provisions and greater participation in policymaking. Added to these was the leadership challenge, wherein political elites were unable to adapt as conditions changed, resulting in an incoherent and unsustainable developmental approach where,

changing ideas and social relations ended up as policy designs to gain support of certain groups in a clientelist manner rather than fostering a long-term support for the model. (Wylde 2018: 1126)

Chile, Colombia and Peru, respectively, experimented with autonomous development corporations where the common experience was political party intervention, patronage, capture by vested industrial interests and, often, overt corruption (Orihuela 2018: 107). The differences between the experiences are that in Peru the corporations collapsed because of lack of institutional support and related weakness (Dargent 2018), whereas in Chile and Colombia, albeit different, the corporations survived into the liberalisation phase due to a strong institutional base and technical capacity (Orihuela 2018).

Summary

Developmentalism in Latin America shows both failures and successes. Unfortunately, successes are not sufficiently cumulative to enable catch-up with industrialised countries (Leáo 2018: 172). Among the challenges is that the process occurs within a de-industrialisation environment compounded by the lack of a cohesive national productive structure (Muzaka 2018), or national capitalist class committed to the same developmental goal as the State, as Chibber (2014) shows in the case of India. Other challenges are related to inconsistency to implement development in the face of

liberalisation, while those that stayed the course made some gains (Catalan and Fernández 2018). There were also problems of small domestic and regional markets, coupled with a need for foreign investment and markets (Soederberg 2001) and an acceptance of volatile economic options (Orihuela 2019). In certain instances, the challenges were due to institutional weaknesses and lack of capacity, what Kohli (2004) considers limited developmentalism. As highlighted, leadership errors in the context account for some of the missed opportunities. In contrast to Asian development, US involvement in Latin America is synonymous with debilitating debt (Ray 2022) and economic policies that do not encourage growth and financial independence (Soederberg 2001).

4.8 THE AFRICAN DEVELOPMENTAL STATES

Increased interest in the developmental state in Africa is inspired by, among others, rejection of neoliberal orthodoxies (Zenawi 2012); the search for alternatives to economic failures, including from structural adjustment programmes (Meyns and Musamba 2010); the need to find and achieve sustained economic development (AU Commission 2015); and identifying domestically honed policy options in the light of growth experienced in the early 2000s (Kayizzi-Mugwera and Lufumpa 2020).

Discourse on African developmentalism has often proceeded from, *inter alia*, treating Africa as homogenous and as a failure (Mkandawire 2001). It argues that the political elite lacked the understanding of development hence their lack of commitment to developmentalism (Ake 1996); lacks development due to a range of dependency theories (Engelbert 2000); lacks capacity and has under-developed markets (Stein 2000); has weak, predatory and patrimonialist states (Jackson and Rosberg 1982; Diamond 2008); and seeks to confine it to the East Asian model (Hillbom 2019). The impossibility of African developmentalism is, however, adequately refuted by assertions and evidence of development in the post-independence states (Meisenhelder 1997; Mkandawire 2001; Taylor 2005; Meyns and Musamba 2010). Stereotypes are not limited to Africa as similar sentiments were expressed about Japan during its developmentalism stage (Ohno and Ohno 2012). Reference to patrimonialism in Africa is equivalent to what was termed crony capitalism in East Asia. Putzel (2002) Sadar (1999: 46) and Tucker (1999: 2-4) have suggested that the negative views about

African development are due to Western and Eurocentric misconceptions of the power to define things, thereby controlling time and trapping developing nations within their own myth of development to inhibit catch-up – a view partially shared in Chang’s (2003) notion of kicking away the ladder.

4.8.1 Botswana’s Democratic Developmental State

Botswana’s developmental state (Mkandawire 2001; Meyns and Musamba 2010; Taylor 2005) had core political leadership committed to, and that engendered, development (Leftwich 1995; Morton n.d.; Masire 2006). The governing party and its leadership are central to implementing the developmental agenda, possessing the power and means to act decisively and direct intervention on policy and processes thereto, to guarantee implementation of strategic policy priorities (Charlton 1992).

There was density in relationships between the political elite and the bureaucratic elite assigned to implement the development plan (Raphaeli and Roumani 1984) and most of the key Ministers – including the Presidents – would have, at one point, served in the bureaucracy (Tsie 1996; Masire 2006), as with the Ministry of Finance and Development Planning (MFDP) (Sebudubudu 2005: 83). The political elite committed to planning, which was in line with budgeting process and approved priorities in the national plan (Sebudubudu 2005). As noted in the World Bank report on Public Sector Management in Botswana,

..., planning is so interwoven with budgeting and, indeed, subordinate to it that it has proven difficult to isolate the analysis of the planning process from the budgeting process. (1984: 1).

The Ministry of Finance and Development Planning (MFDP) plays a central role in the processes of coordination, planning, and execution. The process includes, among others, consultation across all tiers of government, with various development partners whose plans must fit into the national plan, macro-economic analysis, project priorities and budgets, and mid-term reviews.

The State ensured financial management and control of the economy by establishing the National Development Bank (NDB), coupled with the Botswana Development Enterprises Unit (BEDU), through which it provides credit and subsidies and supports Botswana cattle owners and local businesspeople to promote economic growth. The

national Development Corporation (BDC) invests in various economic initiatives at national and international levels to add value to economic growth and development (BDC 2017). It is complemented by the Trade and Investment Promotion Agency in the Ministry of Commerce and Industry. Government also utilises other policy instruments and institutional structures for industrialisation and social welfare, for example, the Financial Assistance Policy (FAP), Accelerated Rural Development Programme (ARDP), Arable Lands Development Programme (ALDEP), and Accelerated Rain-fed Agricultural Programme (ARAP) (Tsie 1996).

Meritocracy and career-pathing have been central to the bureaucracy (Maphunye 2009) which benefited by infusing the exiting colonial structures with the new national bureaucratic elite (Tsie 1996). Planning and budgeting structures like the MFDP comprise well-trained professionals with expertise in economic policymaking (Sebudubudu 2005). Senior bureaucrats enjoy freedom to formulate policy, which can be construed as bureaucrats dominating policy formulation in the government structures (Holm and Molutsi 1989).

The State is fully embedded in society. The governing party enjoys substantial support among the elites, among who its own leadership has been strategically well-placed since pre-independence (Sebudubudu and Molutsi 2011) and the civil service (Molutsi 2006). Political stability derives from the ability of the dominant Botswana Democratic Party (BDP) (Seabo and Molebatsi 2017, De Jager and Du Toit 2013) to coalesce with the chieftaincy (Nyamnjoh 2003), cattle farmers and the professional elite to create strong class formations that support the development agenda, maintained by using both economic and welfare policy approaches (Tsie 1996; Hillbom 2010; 2014).

It is from the alliance with these formations that a new capitalist class, supported by the state through credit loans and various subsidies and from their own wages, emerged. The relationship is, therefore, built around cattle accumulation from which flows the manufacturing sector. Strong relationships with private capital are through the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) – formerly the Botswana Employers Federation (BEF), through which private business is fully represented in crucial committees and council of the State responsible for

wages, employment and labour, industry, and development, among others (Tsie 1996). The relationship has been very close to the extent that government would not proceed to implement any significant policy or regulation in relation to employment and wages without the direct participation of the private sector (Parsons 1984; World Bank 1984: 1). Policy proposals, once adopted in Cabinet, are urgently canvassed with the National Assembly and the broader society for immediate implementation (Sebudubudu 2005). Relations with labour have generally been repressive and unions are weak (Mokgalakwe 1994; Dorsey *et al.* 2007; Marobela 2014:1; Mwatcha 2016). The State exerts power over strikes (Matee and Cohen 2014). Civil society, that is social formations besides labour, is weak (Mooketsane 2011) and heavily curtailed since the state perceives them as a threat to the status quo (Mogalakwe and Sebudubudu 2006). Botswana's state-society relations thus reflect "soft authoritarianism" (Johnson 1987).

Botswana benefitted and took advantage of its ties to the United Kingdom as a British protectorate (Seleka and Kebakile 2015). Trade agreements with the British for beef exports, one of its key commodities important to foreign currency (Hillbrom 2014), run solely through the state entity, the Botswana Meat Commission (Seleka and Kebakile 2015), which is pivotal in the rural economy and related sectors (Overseas Development Institute 2007). Preferential access to the markets of the European Union through the Commonwealth Preferential System also meant that Botswana had duty-free access to the British market (Salignac-Lecomte 2001). Botswana continues to benefit from membership of the Southern African Customs Union (SACU), a treaty that ensures members accrue financial gain from their revenue pool, in the past balancing her recurrent budget due to higher share of customs (Tsie 1996). Botswana's solid standing internationally also comes from her diamond industry where the State established a joint venture with De Beers through DEBSWANA with a State shareholding of 50% (Tsie 1996; Barclay 2009; Sebudubudu 2011), enabling Botswana to dictate terms on the price and trade of diamonds globally (World Bank 1999). This contributed to ensuring the State could support the emergence of new industries and invest in small business enterprises of individual Botswana (Zizhou 2009). Botswana received significant aid support previously enabling it to establish the Accelerated Rural Development Programme (ARDP) (Molutsi 1993). Apart from aid, the country is hailed as a good investment destination where foreign companies

can repatriate their capital gains (OECD/AfDB 2007) and its standing as a democratic country, which was developed in contrast to apartheid South Africa while avoiding outright hostility (Tsie 1996). There are challenges to the status quo within the international beef markets due to price competitiveness (Meyn 2007; Overseas Development Institute 2007; Seleka and Kebakile 2015) and a restructured European market (Steven and Kennan 2005). There are also emerging threats to the diamond industry (Barclay 2009, Dorsey *et al.* 2007).

4.8.2 Authoritarian Developmental States: Ethiopia and Rwanda

Rwanda and Ethiopia, under the Rwanda Patriotic Front (RPF) and the Ethiopian People's Revolutionary Democratic Front (EPRDF), respectively, provide alternative ideology and legitimacy to governing, that is, their parties as sole legitimate powers to stem conflict and lead development (Mann and Berry 2016; Matfess 2015) following a genocide in Rwanda and a protracted war in Ethiopia. They are called authoritarian developmental states because they have nominal democracies, are heavily invested in public service and public works, and control almost all aspects of society (Matfess 2015: 184). Matfess proposes their five characteristics: (a) assumption of power and embeddedness of the regime after a significant rupture in society that legitimates national unity through a single party; (b) curtailment of freedoms as potential threats to societal conflict; (c) promotion of economic and human development linked to claims of commitment to free markets; (d) mobilisation of society for development, using the threat of instability, through party-centred, military-styled programmes; and (e) welcoming foreign aid and investment for domestic development but resisting Western prescripts of democracy and human rights.

Both countries have experienced high economic growth (Clapham 2018:1151; 1158). The economy is characterized by a weak private sector, consolidation in large investment holding groups where the majority ownership of manufacturing and agribusiness is foreign, and the state controls the remainder through government companies (Prunier 2009) owned by the party – or “partystatals” (Mann and Berry 2016: 29). They attempted to govern markets by selecting national champions. The RPF's private holding company Tri-Star Investments/CVL invests in critical sectors, areas with social benefit impact and positive economic externalities that include

venture capitalism (Goloba-Mutebi 2012). The EPRDF on the other hand exerts control on the private sector and drives economic transformation through its endowment funded companies. Two such examples are the Empowerment Fund for the Rehabilitation of Tigray (EFFORT) and TIRET in Amhara region, which access government priorities and have access to credit (Vaughan and Gebremichael 2011, Clapham 2018). Rwanda intervenes through the Rwandan Development Board (RDB), a pilot agency that works with and develops capacity in the private sector, organised under the Private Sector Federation (Mann and Berry 2016). These structures ensure mandatory performance contracts to assure execution and outcomes, investment, regulation and infrastructure development (Mann and Nzayisenga 2015). State-society relations are constrained (Skjerdal 2011), with intolerance of political dissent (Flores 2013; Human Rights Watch 2014). At the international level, there are both Ethiopia and Rwanda beneficiaries of substantial US and Western aid (Kissi 2000; Muteshi and Tizaza n.d.), by exploiting the latter's investment in counterterrorism programmes. For example, EPRDF is a reliable development partner in a highly unstable region, in contrast to Somalia, hence the counterterrorism partnership with the USA known as the Partnership for Regional East Africa Counterterrorism (PRACT) (Rice and Goldberg 2007; Bruton and Williams 2013) as well as the RPF as a "voice of new Africa" (Matfess 2015: 196) and indicative of stability (Booth 2010) in contrast to the neighbouring Democratic Republic of Congo (DRC). The RPF is astute in exploiting the genocide narrative to guarantee international support for development and military aid (Desrosiers and Thomson 2011). At the same time both countries, and especially Ethiopia, have an ideological relationship with China, ensuring the latter's involvement and increased investment in their development (Clapham 2018).

4.8.3 Other Examples and Challenges

Literature proposes other examples in Africa. Mauritius, termed a small island developing state (SIDS) (Sandbrook 2005) is seen to implement state-led macro-economic development planning through (a) a symbiotic relationship between the bureaucracy and private business, with the latter enjoying privileged access to State organs through the Joint Economic Commission (JEC); (b) a professionalised, meritocratic, autonomous and insulated bureaucracy that directly intervenes in a deliberate manner in the export-focused industrial policies and transformation; and (c)

by attracting and channelling the private sector, investment and other means of support for emerging industries in earmarked sectors, through state subsidies and various other incentives (Lindsay 2018).

In summary, the literature attests to developmental states in Africa with varying State institutions and systems. They are mostly constitutional, single-party and multiparty democracies under parties of liberation since independence (Routey 2012) and with varying degrees of control in state-society relations. Continuity and hegemony of the ruling party are potentially positive for transformation (Ohno 2009; Chang 2010). Post-independence realities, like genocide and protracted internal conflicts, suggest new political settlements for legitimacy to govern and do development (Williams 2014; Booth 2018). Soundness and quality of policies and embeddedness of the developmental agenda in society within a range of social actors, instead of previous top-down and statist approaches (Okoth 2009; Booth 2018) are necessary. The development of relationships with capital and building a national capitalist class are central to both nurture the market and forge a private sector supportive of the developmental agenda (Vaughan and Gebremichael 2011; Goloba-Mutebi 2012; Mann and Nzayisenga 2015). Added to bureaucracy and discipline of capital, the State requires political will (Chang 2010; Kohli 2004) and understanding of internal politics along with adeptness in relation to the international environment (Booth 2010; Bruton and Williams 2013; Clapham 2018).

4.9 DEVELOPMENTALISM IN THE WEST

According to Centeno et al (2018), Spain initially implemented state intervention and expansionary policies in rail and road, and hydraulic programmes; initiated agrarian reform by expropriating large estates to improve worker conditions in agriculture and industry; had protectionism and state financing in national production; established state-owned industrial bodies and invested heavily in education when the programmes were abandoned. Catalan and Fernández (2018) propose that German economic development and industrialisation was motivated by catch-up with Great Britain following the industrial revolution. The state implemented redistributive policies supporting workers to create a welfare State while the greater focus was on compulsory education that resulted in literacy and impacted research and development. Loriaux

(1999) argues that the French State, through use of state-owned entities and various protectionist interventions, followed developmentalism.

The USA, notwithstanding its *laissez-faire* principles, uses public and private entities to advance research in technologies (Mazzucato 2013)

for building markets and nurturing enterprises, encouraging technological upgrade, support for learning processes, accumulation of capabilities, removing infrastructure bottlenecks to growth, in reforming agriculture and/or in providing finance. (Salazar-Xirinachs *et al.* 2014:3).

Various State agencies, alive to the pressures of market liberalism around them, invest in R&D in commercial technology, resulting in, *inter alia*, the Internet, and in medical companies; that is, “network-building industrial policy” (Wade 2014:389). As noted earlier, industrial policy is in the Defence Department and concealed in the tax structure and bankruptcy law (Stiglitz 2018), hence the reference to the US as the “hidden developmental state” (Block 2011:13), or what Wade (2017) refers to as the US paradox.

Ó’Riain’s (2018) Irish “developmental network state” established Enterprise Ireland as a state agency to develop Irish-owned industries, to ensure state funding and investment in venture capital. It created a network of associations in society, industry, research and universities for information sharing and cooperation. In the process it shaped, regulated and supported markets, attracted FDIs, created labour market policies for temporary workers and training programmes, and aimed at benefitting the middle class instead of investing in public welfare programmes. Harris-White’s (2018) British developmentalism centres around renewable energy, highlighting climate change as an obstacle to be overcome in an environment where old forms of industrialization cannot be long-term. The challenge is that the British State, in this context, has lost autonomy to capital to the point that it is governed by markets. Notably, as a result, the state has shifted away from overseas support by investing development funding in British companies to do business in small countries and advantage the United Kingdom.

4.10 CONCLUSION

The comparative approach reveals that there was global developmentalism post-World War II, with fixed exchange rates for stable currencies, a liberal international trade and multilateralism cognisant of domestic interventions and stability, or what Ruggie (1982) terms an “embedded liberalism compromise”. The dominance of neoliberalism in the latter part of the 20th century, coupled with the collapse of the USSR, led to “embedded financial orthodoxy” (Cerny 1993) where international financial markets have dominated the global political economy, contributing to neither domestic economic growth nor independence from foreign capital (Soederberg 2001; Ray 2021) but conditions where national goals are focused on quelling class conflict and responding to international pressures like creditworthiness (Soederberg 2001). Nevertheless, there exist attempts at developmentalism, albeit hidden (Block 2011), even in industrialised countries (Williams 2014) although the non-industrialised countries’ convergence on the inadequacy of the neoliberal model and need for the greater role of the State their responses lack a coherent analytical vision (Evans 2014) and tend to be domesticated and pragmatic (Booth 2015:15; Orihuela 2019; Clark 2022). These differ from East Asia where the experiences are interconnected regarding both growth and competitiveness. Other 21st century developments, particularly in China, Vietnam, Ethiopia and Rwanda, among others, provide impetus to redefine the economic development and growth through State participation in the era of globalisation (Pham 2012). While countries like Botswana and Brazil do not possess high growth rates like the Asian Tigers, their developmentalism is responsive to the countries’ poor and their own needs (Amman and Barrientos 2014). Therefore, contemporary influences and contributions, including various movements in continuously shifting national and international contexts, separately and relatedly, impose the need to evaluate the change, in content, of the development narrative (Dent 2017).

Drawing from the comparative, central to developing DS is the attitude of the State to want to transform society and do so rapidly. This requires an unwavering mindset and investing resources towards that end, which requires a clear and disciplined plan, driven by equipped personnel acting on the authority of the head of State to ensure state-wide coordination and implementation, working with various networks in

society. This could be through either developmental bureaucracies or developmental networks (Chang 2010), or a combination thereof. Ruling parties use transformation of society to legitimise themselves, which requires that they too transform to be able to respond to dynamic changes in domestic and foreign conditions. Inherent in this is the development of an adaptable strategy.

Key characteristics that arise from this global perspective are those of ideology, leadership, bureaucratic institutions, and state-society relationship. Global examples have demonstrated that party and State's ideological outlook was critical to propel change and unite the leadership and was used to ensure hegemony in society. The institutional design of the State was pivotal in developing synergy in the coordination and execution of the developmental agenda, across the state and in the broader society. This is the framework used to assess the way the South African State is developing DS in its context. Combined with chapter four, this chapter elucidates both the challenges and opportunities for constructing DS in South Africa, which follows in the next chapters.

CHAPTER 5

DEVELOPMENTAL PRACTICES IN SOUTH AFRICA

5.1 INTRODUCTION

This chapter discusses how the different governments of South Africa pre- and post-1994 sought to implement a developmental agenda. In doing so, it highlights the contrasting approaches and their underlying motivations and interventions. It explains the institutional mechanisms and policy initiatives undertaken at both times, to illustrate both continuities and discontinuities between these. The chapter expands on the conceptual discussion about South Africa presented in chapter two and demonstrates links with the theoretical framework in chapter three, further showing how certain practices in South Africa at different times bear correlation with experiences of DS globally. Herein, South Africa's developmentalism, like some of the examples in chapter four, especially in Western countries and in Latin America, and barring its racist feature, does not have a seamless developmentalist experience from colonialism to the democratic State. The period between 1994 and 2009, although developmental, de-emphasised state involvement in the market compared to the pre-1994 era, something that the post-2009 administration sought to reverse. Nevertheless, there are elements of continuity and discontinuity throughout these periods, which the chapter highlights.

5.2 APARTHEID'S STATE-LED DEVELOPMENTALISM

5.2.1 Apartheid Leadership and Ideology

Apartheid was the driving force, also a plan, which drew its inspiration from Western European and the USA racial thought and social engineering (Giliomee 2003:373). Colourism and separate development advocated Afrikaner uniqueness (Coetzee 1960), preservation of language and culture in education (Koort 2014), the workplace (Hepple 1969) and throughout the country.

Afrikaner leadership, though not homogenous (Koorts 2010), implemented the apartheid model with determination (Morrell 2001). Legitimacy was ensured through economic growth and its benefits to the Afrikaner, under the National Party (NP) leadership from Malan to De Klerk (Koort 2014; Papenfus 2010; Barnard 2015), who believed in “white domination of the economy, military and bureaucracy” (Giliomee 1992:364). The Afrikaner Broederbond, its think tank, played a critical role in organisational cohesion (Wilkins and Strydom 1978). The Broederbond and NP leadership was not immune to corruption (Blackman and Dall 2021) and illicit and covert activities to survive international sanctions (van Vuuren 2017).

5.2.2 Economic Interventions

Characteristic of the post-World War II economies, the State governed the markets by investing in various sectors and industries to ensure that business thrived. Key to its economic control and management, the state intervened using SOEs and protectionism. South Africa’s major economic strategy from around the Second World War was import-substitution industrialisation (Luiz 1998). Protectionism was an important instrument that the State used to ensure that South African companies gained a footing, such as the International Air Service Act of 1949, to protect SAA from competition by Comair (Dlamini-Zuma 2020).

The Pact government between the National Party and the minority Labour Party, in power from 1924 to 1939, imposed import tariffs to protect local industries from foreign competition with the aim of ensuring employment of white people (Custom Tariff Act 1925). In the 1930s, support for agriculture gained momentum under the National Party, except that the government at the time was too cautious and financially conservative, albeit somewhat developmental, to push for greater industrialisation (Freund 2013:94). Herzog’s government rekindled the troubled agricultural sector with the introduction of the Marketing Act of 1937 (Feinstein 2005:142). Large co-operatives that would go on to control storage and lead to the development of a strong agro-industrial sector, emerged (Freund 2018). The importance of high productivity led to initiation of electrical mechanisation and, therefore, the establishment of Eskom in 1922, and the formulation of the Electricity Act in the same year (Christie 1984). To stimulate heavy industries and ensure security of supply of electrification, the

electrical grid was bought from British interests, thus opening the way for the development of coal-fired power stations (Clark 1994). Coal mining enabled Eskom to supply electricity to farmers (Christie 1984) and cheap electricity for industrialisation (Fine and Rustomjee 1996), creating a base for industries that required electricity, such as ISCOR in steel (Feinstein 2005; Zalk 2021), Telkom for telecommunications; DENEL in military hardware; and in the ports and transport sector were SAA, Transnet and Portnet (Christie 1993; Freund 2013; Dlamini-Zuma 2020). Industrialisation was financed through sectoral banking linked to mining and agriculture that included the Land Bank, Saambou, NBS and Volkskas (Dlamini-Zuma 2020).

5.2.3 Institutional Capacity

Key to its industrialisation strategy was the provision of the architecture to support it. In the war period, numerous commissions that involved the civil service were established to ensure planning and policy development beyond the war, as Duncan (1993:106) notes, to prepare for a “prosperous, post-war, industrial economy.” The Smuts regime invested considerable time and thought on the coordination and planning of government action (Freund 2013:94-99).

Some of the World War 1 institutions, such as the Industries Advisory Board of 1916, created for research, evolved into the Board of Trade and Industries in 1923 and became the nerve centre for conceptualisation around industrialisation and the role of government (Martin 1990; Dubow 2005). The Industrial and Agricultural Requirements Commission of 1940 promoted individual development, an improved standard of living and state support to safeguard these individual rights, modelled on Sweden (Freund 2013:95 for reference to UG 40/1941). Scientific research for the benefit of industry was coordinated, starting with the 1939 National Research Commission and the National Research Council Board (Dubow 2005). This was followed by the formation of the Industrial Development Corporation (IDC) in 1940, whose task was to support business, and ensure the expansion, organisation and modernisation of existing companies (Cartwright 1971; Mondi and Bardiën, n.d.). Furthermore, other research agencies in areas of fuel, forestry and agricultural development were consolidated under the Council for Scientific and Industrial

Research (CSIR) in 1945, which would serve as the leader for development issues (Freund 2013). A complementary body to the CSIR, the Human Sciences Research Council (HSRC), was formed in 1968 (Dubow 2005).

Industrial and Social Policy – two sides of one coin

Understood from a public choice perspective, notes Lowenberg (2014:3), public policy is thought to be endogenously determined by political support-maximising response of politicians to voter interests and pressure groups. In that context, therefore, the state becomes a continuous endogenous variable that is responsive to the influence of interest groups that stand to gain or lose. In this regard, the policy parameters of the state were determined by white people and for white people. This was exclusively white economic development preoccupied with the “poor white”, cementing the “colour bar” (Hepple 1969) and entrenching influx control (Lowenberg 2014). The black labour force was restricted, and job reservation legalised. As discussed in chapter two, after the 1921 revolt white workers and their families received health, education, retirement, and housing benefits thereby improving their human capabilities.

Economic growth compelled the inclusion of black workers in the industrial sector (Olson 1982; Lipton 1986; Kendall and Louw 1987). Demand for labour in manufacturing, which whites could not meet, saw taxation and expropriation of land from African landowners as means to respond to the demand for labour in the mining and farming sectors (Wilson 1971; Lundahl 1992). Wartime abeyance of restrictive laws, coupled with post-war economic growth, created contradictory realities that manifest in the form of black urbanisation, for the purpose of ensuring a supply of cheap labour for capitalist accumulation. It was still necessary to control movement and potential emergence of an African middle class that was perceived to threaten Afrikaners in the urban areas (Rich 1978). The welfare regime that evolved, in health, housing and education, was not aimed at creating an equal and qualitative society because equality between the Afrikaner and the black majority was “inimical to progress” (Louw and Sadie 1961:97). This resulted in a racial welfare system (Posel 2005) with negligible investment in the capabilities of the majority population, and which initiated the legacy of an uneducated and unskilled labour force, impacting

adversely on the economy due to low productivity and weak production growth. This impeded the country in attaining high-value manufacturing for full industrialisation.

An autonomous bureaucratic elite: pilot agency

The most important aspect of the planning regime under Smuts was the small unit that saw to planning and execution as a type of pilot agency. As Freund (2013:98) notes,

the core activists around van der Bijl who had Smuts' ear, represented just the sort of small, personally close kind of elite circle that developmental state theory stresses as critical.

Centred around the Premier, it championed industrialisation through state intervention, marshalled the commission structures during the wartime period, and operated outside of the normal ministerial space (Christie 1991; Dubow 2005; Freund 2013; 2018). Besides the Premier, it maintained close relationships with influential leaders in the Nationalist Party even beyond 1948. All its key individuals covered a wide range of scientific fields, except economics (Freund 2013:98).

According to Evans (1997), apartheid bureaucracy – driven largely through the Department of Native Affairs – was efficient in the administration of law. It had a combination of contradictory features, bitterly racist even in implementation, but highly efficient in the delivery of social housing for black people after 1948.

5.2.4 Relationship with Business and Labour

During the periods under the Crown and apartheid business and labour were suppressed. The relationships with both were initially weak (Freund 2013) and moved between periods of conflict and harmony (Giliomee 1992; Krikler 1996; Breckenridge 2009; Spicer 2016).

State control and positions in SOEs enabled the development of Afrikaner business and secured it state contracts (Giliomee 1992; O'Meara 1982:167; Chabane *et al* 2006) in commerce, mining, and agriculture (Wood and Haines 2014:1362&1368). According to Ruiters (2014:15) in 1987 Anton Rupert had the NP, with other companies and banks, take up a fifty percent shareholding in his Small Business Development Corporation (SBDC) which became the core of government's support programme to small business, business units in some universities, and bantustans.

Exclusion of black business began in imperial times (Jordan 2010; Freund 2013) despite some intimations to include black people, particularly Coloured people in the Western Cape (Lowenberg 2014). The post-Anglo-Boer war thriving African elite, who were largely landowners, was excluded. This contributed to their motivation to join the nascent liberation movement to gain economic freedom (Ndzamela 2021).

Race determined labour relations since imperial Britain (Wolpe 1972; Allen 1992; Limb 2010; Breckenridge 2009) because South African white people were perceived to be no different to the international white working class (Money and van Zyl-Hermann 2021). The state suppressed labour regardless of race, for example, in the 1922 Rand Revolt (Krikler 1996; 2005) and the African Mineworkers' Strike in 1946 (O'Meara 1985; Naicker 1976). Capital collaborated with racial restrictions that inhibited employment of Africans, until growth happened and demand for labour grew (Kenney 1996). Demand for black labour in manufacturing in the 1970s marked a turning point and forced labour relations reform for the benefit of the African working class (Baskin 1991; Sithole and Ndlovu 2006; Hemson *et al*, 2006) following the Durban strikes in 1973. These led to the Wiehahn Commission's (Kooy *et al*, 1979) recognition of black trade unions, and repeal of some of the restrictive laws and influx control measures, although exploitative and repressive conditions did not cease in mining (Allen 2003). Lichtenstein (2013) suggests that perhaps the reformers had sought to tame the militancy of the black trade unions without upsetting white labour because, as van Zyl-Hermann (2021:1) suggests,

white workers occupied a unique social position in apartheid-era South Africa, their privilege dependent on the Afrikaner nationalist race-based social contract upheld by the regime.

For the white worker there existed a symbiotic relationship between race and rights and, as such, any labour reforms initiated were seen as posing a threat to their privilege, power and race (van Zyl-Hermann 2020).

5.3 THE POST-APARTHEID STATE: FROM RDP TO GEAR

From the commencement of the democratic dispensation in South Africa in 1994, the State repealed apartheid legislation, invested in nation-building and social welfare,

economic growth and inclusion, giving rise to two dominant economic development models, that is, welfare and the development state (Luiz 2002:138; Burger 2014). A central feature of the Mbeki government's approach to developmentalism, though it did not refer to it as such, focused on developing capabilities (Manuel 2004; Mbeki 2006). Its redistributive nature, as Pottinger (2010) noted, could potentially lead to massive dependency among the majority and unaffordable long-term liabilities. It did not intervene directly in the economy, instead it advocated Black Economic Empowerment (BEE), whereby existing white capital would offer equity to some blacks, specifically those with political connections. A regulatory model of State also emerged, where regulation was used as mechanism to foster development. For example, the preferential procurement regulation was used to favour black business, without conditions, in terms of State contracts. Mbeki, while seeking to contain the left component in the Alliance, COSATU and the SACP, alienated them. Thus,

ultimately weakened the ability of both government and the ANC to absorb the growing socio-economic tensions and further systemic shocks in the wake of the global financial crisis. (Calland and Sithole 2022: 59)

These factors would impact the post-Mbeki era.

5.3.1 Leadership

The Mandela presidency was the centre of both government and the State, remaining small (Booysens 2011), as highlighted in the Presidential Review Commission (1998). Another matter the Commission contended with was the lack of coordination of government. Power was centralised in the Presidency and key ministries like Treasury, a practice that Mbeki, according to Butler (2005), inherited from Mandela. The Treasury also assumed greater authority and power, having been given responsibilities that included budgetary discipline of provinces, with the Minister of Finance described as the "most influential member" after the President (Jacobs 2002:35). Both the Mandela and Mbeki administrations were decisive, had united cabinets and synergy, with exemplary ministers that had close interpersonal relationship with the bureaucrats, or what Manuel (2021) referred to as "an esprit-de-corps that drove the pride that compelled people to deliver".

Institutional Mechanism for Coordination and Policy and Implementation Policy Coordination and Advisory Services (PCAS)

Only during the Mbeki presidency were mechanisms and institutional structures for coordination, planning and monitoring and evaluation of policy created in government, that is, a central unit established in 1997 as the Policy Coordination and Advisory Services (PCAS) (Gumede 2017). Senior officials became central to policy and implementation in the State (Giollabhuí 2017) hence the prominence of PCAS (Cosatu 2005). Centralised authority in the President also ensured that PCAS acted in a pilot agency fashion. It bore some features of pilot agencies in other DS experiences and the Smuts government.

The unit was approved by Cabinet in 1997, as the Coordination and Implementation Unit (CIU) established in the office of the Deputy President to “equip government with strategic planning and management capacity”.¹⁰ The Presidential Review Commission had concluded on fragmentation in policy implementation and compartmentalisation, or silos, in departments. Critically, it was populated by the Deputy President’s (later President’s) confidantes, senior in the ANC and accountable to the then Minister of Foreign Affairs (Davis 1999). By 2001 PCAS was headed by a Director General, not a Deputy Director General and its influence on policy, including resource allocation, had substantially increased (COSATU 2005:12)

The unit was responsible for policy coordination across government. It had authority over and could decide which policies could be advanced, or not, to the Cabinet. Its structure, comprising chief directors, was mirrored by the government clusters and had links to the National Assembly and its processes. The main clusters were Economic; Social; Governance and Administration; International Relations, Peace and Security; Justice, and Crime Prevention and Security. PCAS was ultimately responsible for major legislative and administrative reforms, among them the Public Finance Management Act (PFMA) (see Mothabi 2017:93; Jacobs 2002:31-32; COSATU 2005:12-14; Edigheji 2007).

¹⁰ Davis Gaye, 1999 quoted in Jacobs (2002)

5.3.2 Key Policy Interventions

A. The Reconstruction and Development Programme (RDP)¹¹

The Programme stated that political democracy is unsustainable amidst poverty and advocated fundamental reconstruction of the economy given its structural crisis, public investment in both public and economic infrastructure to create opportunities for the poor (ANC 1994). It was destined to fail, as Narsiah (2002:31) and Terreblanche (2002) suggest, due to resource constraints that were tightly managed by the Presidency and the Treasury. Nevertheless, Visser (2004:7) shows that the RDP achieved “remarkable results” in terms of social security but was failed by government’s lack of implementation capacity – including lack of technical skills in the staff, and challenges of inadequate staff complement in the RDP Office located in the Presidency (Webster & Adler 1998:1-2; Midgley 2001:269). According to Shilowa (1995),

conservative forces in the inherited bureaucracy, in the security forces, in business, internationally, and in the government of national unity, are determined to ensure that the RDP doesn’t disturb old patterns.

Another contributing factor, as Bond (2000:97-98) argues, was unreliable private sector partners. Turok (2011) argues that despite its excellence, the RDP lacked the means to holistically address the political economy of transformation. Both Visser (2004) and Spicer (2016), however, contend that the RDP was idealistic and lacked the concrete sense of a plan. Ultimately the RDP was swallowed into the Deputy President’s office and delegated to the Minister of Finance to manage within the macroeconomic framework.

B. The Growth Employment and Redistribution (GEAR)¹²

GEAR, which replaced the RDP when its office was closed in 1996, was a technical policy document produced by officials in the Development Bank of Southern Africa (DBSA) and the South African Reserve Bank (SARB) (Cronin 1998; Visser 2004:8). It was a macro-economic policy tool that was a “home-grown structural adjustment programme” (Hirsch *et al* 2021:74). According to Turok (2011), GEAR not only failed

¹¹ The RDP was a socio-economic policy framework implemented by the Mandela government in 1994. Its key programmes are articulated in the White Paper on the Reconstruction and Development (1995). It was widely consulted in society and enjoyed big support from labour.

¹² GEAR was a macro-economic policy framework introduced in 1996.

to lay the foundations for transformation but stalled the economy. Both Manuel (2006) and Mbeki (2016, 1 & 2) have argued strongly that GEAR was not a neoliberal construct but ANC policy whose framework was adopted by the ANC's 50th National Conference in 1997; further that it was a tool to finance the RDP in a financially constrained national and international climate, like the Asian financial crisis. However, according to Michie and Padayachee (1998:628), GEAR de-emphasised the role of the State in employment and development.

Overall, both proponents and opponents (Cronin 1998; SACP 1996; COSATU 2001; Manuel 2002; Qobo 2014) of the policy conceded that it did not meet its stated targets on poverty alleviation, reducing inequality and creating employment opportunities, including ensuring investment in infrastructure to create and sustain economic growth. At the same time, they concurred, it succeeded in ensuring fiscal discipline and a labour market regulatory framework. Therefore, as Streak (2004) points out, although there is a lack of empirical evidence on whether GEAR failed or not, it was successful in creating a macroeconomic framework, improved resources, and institutional conditions conducive for direct state involvement. In this regard, arguments by Easterly (2001), Islam (2003), Muqtada (2010) and the UN Economic and Social Council (2012) are affirmed in that, globally, while macroeconomic stabilisation was achieved and the policy environment improved, there was lack of sustained investment, economic growth, and reduction in unemployment and poverty.

C. Black Economic Empowerment (BEE)

The strategy, which ultimately became a policy of the State, was initiated around the transition period by the private sector. Initially it referred to the development of a black bourgeoisie, supported by national and international capital (ANC 1996). A broader conceptualisation beyond a black capitalist class, that is, Broad-Based Black Economic Empowerment (BBB-EE) was proposed by the BEE Commission (2001) as seen in the Act (RSA 2003). Its main intention was the de-racialisation and inclusion of the black majority in the economy, and it proposed various mechanisms of State intervention, including financing through State agencies and State procurement (Ramaphosa 2000; RSA 2002).

In this context of deracialising the economy and ensuring equality and fairness in law was the ascent into law of the Promotion of Equality and Prevention of Unfair Discrimination Act and the Preferential Procurement Policy Framework Act by the President in 2000 (Mbeki 2000). Chipkin (2007:173-187) and Gibson (2011:64) argued that while Black Economic Empowerment (BEE) represented an attempt at economic equality to reverse systematic apartheid inequality, it also fell prey to neoliberal conception of commodifying the self and being projected as the sole means for an escape out of poverty. Beneficiaries of BEE have remained a small elite, mostly with links to the ruling party, that accumulated wealth through boardroom deals rather than developing new industries (Hart and Padayachee 2013). According to Acemoglu et al (2007:1), it was unlikely for BEE to be “optimal from the view of economic growth”, hence the need for what they termed growth enhancing reforms. Among the challenges were that, although it influenced distribution, it lacked impactful effect on the behaviour of firms and in addition, its economic costs and gains cancelled each other.

D. Social Welfare

The post-apartheid period was the only time when there was deracialisation of social services. Therefore, an inclusive social policy (PCAS, Presidency 2003) was required, and starting at a low base of a few thousands, in some cases, the number of dependants receiving state grants has been growing since. To advance its social welfare developmental approach, the state introduced the White Paper for Social Welfare in 1995 that was adopted by Cabinet in 1997. It is Midgley’s (2001:267-271) contention that, by giving prominence to a social development approach, the South African State bucked the trend of prevailing global neo-liberal approaches at that time.

In summary, during this period, as Taylor (2001) proposes, South Africa found itself between neoliberalism and developmentalism. The pro-GEAR propositions seemingly affirm Jayasuriya’s (2001:100) argument that in a globally uncertain economic environment where domestic economic stability is sought, the State has the responsibility to restructure its institutional form and develop other mechanisms to coordinate economic management. Policies were thus geared towards developing confidence of global markets. A weakness of the period was its non-utilisation of the

pre-1994 industrial infrastructure, which was caused by scepticism about industrial policy and a perception that it was state interference (Turok 1999). A central feature was a strong and centralised leadership in the Presidency, an institutional framework for coordination of policy and implementation. In addition, there was strong investment in capabilities which, as Evans (2010) argues, is a means for construction of DS.

5.4 SHIFTING A GEAR: DEVELOPMENTALISM AFTER 2007

The ANC's 52nd National Conference in Polokwane pronounced on South Africa as a DS. This was hailed as ditching neoliberalism, associated with lack of development, and appreciating State intervention in the economy (Cosatu 2005; SACBC 2007).

The DS resolution is contained in the party's Strategy and Tactics (S&T), which has since the 1969 Morogoro Conference¹³ become the guide for the ANC's strategic outlook on the transformation agenda. There is thus, firstly, the understanding that since the 1994 change,

we are only at the beginning of a long journey to a truly united, democratic and prosperous South Africa. (2007:1)

Second, it advances the National Democratic Revolution (NDR)¹⁴, summed up to

build a society based on the best of human civilisation in terms of political and human freedoms, socio-economic rights, value systems and identity. (2007:8)

In this context, it is recognised that such a society (i) should be systematically constructed; (ii) does not occur automatically with the transfer of power; (iii) does not emerge spontaneously from the agency of the 'hidden hand' of the market; and (iv) requires that the ANC should possess political and technical capacity (2007:29).

DS in the ANC's S&T is characterised with these attributes (ANC 2007:40-41). First, *strategic orientation* – that is, *people-centred, sustained development with high growth rates, restructuring the economy and socio-economic inclusion*. This attribute

¹³ The conference took place in Tanzania. In the ANC context, it is regarded as a watershed in that it redefined the direction and role of the liberation movement on issues of, among others, armed struggle, non-racialism, class content of the liberation.

¹⁴ NDR is characterised as the total emancipation of South African society, where the majority fully enjoys and participates in the political and economic life of the country, in a united, non-racial, non-sexist, democratic and prosperous South Africa,

is about ideology. This thinking proceeded from a view of wanting to catch up, as well as jettisoning the slow change that had defined the state pre-2007 and with redirection towards DS (Netshitenzhe 2012). It is informed by a departure from the binaries of capitalism versus socialism towards embracing a “new economic system” where there is an appraised “role of capital in a new concept of socialism”, as the ‘RDP of the Soul’ discussion document (ANC 2007) outlined. The document recognises, in addition to GDP growth, that social welfare and favourable labour policy are necessary for employment, economic inclusion and technological progress.

Second, there is *leadership in defining a common national agenda, and mobilising society to participate in its implementation, that is, the state’s effective systems of interaction with all social partners*. This attribute links leadership with embeddedness. Notably, in contrast to the East Asian model, the South African model proceeds along the democratic framework wherein the ANC has defined itself as the leader of society legitimised by the history and heritage of liberation. This articulation resonates with notions of citizenship and the role of the political party, and its leadership are conveyors of freedoms and means for transformation of society (Edigheji 2005; 2010; Chun 2006). The leadership should, therefore, possess the political will to put everything towards the achievement of the developmental project (Netshitenzhe 2015:555; Kohli 2004). As Mathebula (2016:54) argues, DS should be developed from ground up, hence the importance of economic development at local government level.

Third is *organisational capacity - macro-organisation of the state, policy and implementation organs and stable management system*. According to Reynolds (1983:976) the significant factor in the rapid growth, ability to intervene, developing relations with and discipline of social actors were political organisation, and administrative competence as the single most important explanatory variable is political organization and administrative competence of government. This is the State’s capacity that is reflected in its institutions, agencies and meritocratic bureaucracy embedded in society (Edigheji 2010:7; Naasemullah and Arnold 2014:124).

Fourth is *technical capacity* - *training, orientation and leadership of the public service, and acquisition and retention of skilled personnel*. Although bureaucratic capacity is important, it should translate into capabilities, that is, the skills to act to realise the stated objectives of the state. It is to the extent that the state possesses technocratic and organizational capacities that it can deliver on expanding capabilities (Evans and Heller 2013:28). The third and fourth attributes look at the capacity and capability of the state, including structures and bureaucracy.

The above attributes resonate with those outlined by Cummings and Nørgaard (2004) about what they refer to as state capacity, that is, ideational – about legitimacy and embeddedness in institutions; political – about effectiveness of governance, technical and implementational – about administrative efficiency. This outlook that emerged in Polokwane informed broad policy approaches in the ANC, as reflected by the 2012 discussions on the “decade of the cadre” and in the discussion document on the second transition (ANC 2012) and the reaffirmation of the 2007 S&T in the 2017 national conference (ANC 2017).

5.4.1 State leadership and ideology

There are many perspectives to the Zuma Presidency, which was decisive, including its response to crisis, and was mired in corruption (Calland and Sithole 2022:101-138). These authors suggest that it was an “ideology-free zone”, meaning it lacked ability to pay attention to detail, economic or ideological, was motivated by political instincts, choice and what appealed to the President, and ministers could act freely (ibid:109). Piper and Matisonn (2009) described it as embodying pathologies of neo-patrimony and ‘big man’ politics. Jara (2005) had characterised Zuma as incompatible with the values of the movement, that is, on gender and rule of law, also conservative on economic issues and “pandering to the interests of the traditional and undemocratic elite in rural areas”. Mavimbela (2018:380-382) proposes a President concerned about managing competing interests in the ANC, having to be conciliatory to broader groupings following the divided and divisive Polokwane Conference, and lacking in technical capacity and capability. Manuel (in Calland and Sithole, op.cit:112-113) described the Presidency as lacking in organisation, relationship with Ministers, and unable to take decisions that “weren’t venal”.

The Ramaphosa Presidency has been characterised as one that lost its early gains when it announced a new dawn after the Zuma era (Butler 2021); that is, indecisive and non-existent (Makhaya 2022); lacking courage (Khoza 2022) and lacking urgency and mission (Ndletyana in Calland and Sithole, *ibid*:158). The sharpest criticism came from the SACP General Secretary, Mapaila, that there is vacancy at the helm of the ANC and its leadership runs on autopilot only to be woken up by a crash (Mapaila 2022), sentiments echoed by former President Mbeki (2022). Calland and Sithole (*ibid*:139-196), although sympathetic to the President, agree with the various articulations and recognise that it is the Presidency that should reform both the state and the ANC, including developing confidence with broader society. These authors characterise Ramaphosa in the type of Roosevelt, which is curious since his Presidency is yet to deliver on its promised new deal – as Davies (2021) describes it. The Presidency has since been confronted with the Phala Phala scandal with certain factions in the ANC attempting to overrun it (Malala 2022).

Added to the challenges of the Presidencies has been the fact of a *laissez-faire* approach in ministries and governments, lack of coherence among and between the ministers and the senior officials, and a divided political party (Netshitenzhe 2012; Mavimbela 2018; Brunette 2018; Calland and Sithole 2022). In addition, given the damage from Polokwane, since Zuma had kept both warring sides, some ministers did not communicate with one another or wish to share common space. Mavimbela (2018:383) notes, “there was a lot of resentment and mistrust in the air”.

The “free-for-all”, including the previous atmosphere, continued into the Ramaphosa administration. Manuel (in Creamer 2021) bemoaned the divisions in the Cabinet, which he likened to a ‘confederation of tsarisms’ that adversely impacted intended reforms. The lack of collegiality to provide leadership towards common goals is most glaring in the policy and practice divergences between the Department of Mineral Resources and Energy (DMRE) as a custodian of all mining and energy policies, responsible for the Mineral and Petroleum Resources Development Act 28 of 2002 as amended, and the Integrated Resource Plan (IRP) 2019; and the Department of Environment, Forestry and Fisheries (DEFF), as custodian of environmental policy, responsible for National Environmental Management Act

(NEMA) 107 of 1998 as amended. While the former pushes for exploration and prospecting, the latter restricts such economic activities. The pronounced conflict has been with the case of the Karpowerships where the DMRE granted permission for gas power and the DEFF blocked it on environmental grounds.¹⁵ Although the IRP 2019 argues for mixed energy sources, including coal, in an energy-poor country like South Africa, the DEFF has a contradictory policy, namely the Accelerated Coal Transition (ACT). The ACT (RSA 2022:3) boldly states, “transition needs to occur despite an existing electricity supply shortfall.”

Netshitenzhe (2012:4) locates the challenge of leadership in the context of inability to transcend different interests, inside and outside the ruling party, and lack of disciplining social actors to transform society. At the core of the challenges, therefore, are the ANC and its ability to provide leadership; a factor that Suttner (2007) enunciated, of a movement hampered by lack of integration of its different streams, also comprising technical deficiencies at senior and membership levels, both before and at the point of governance. This has resulted in various resolutions to renew the party, including developing a new cadre (ANC 2000; 2012).

Since the commencement of democratic governance, the ANC has won an electoral majority in South Africa, to the chagrin of those who purport it as a dominant party (Lancaster 2016) in the kind of one-party rule (Giliomee 1999) or suggest democratic majoritarianism as authoritarian or African tyranny (Piper and Matisonn 2009). The dominant party idea is largely Afropessimist, conveniently applied to liberation movements that have become governments and is thus an ideological construct than either reality or theory (Suttner 2006).

Matshiqi (2010) cautions, however, that the remodelling of the ANC from a liberation movement to a modern political party, still understanding itself as a custodian of an unfulfilled liberation realised, should not be where single-party dominance turns to authoritarianism and conflation of party interest with national interest. Maloka and Nkomfe (2022 1&2) thus argue that the ANC should provide society with reasons for its legitimacy to govern, based on societal transformation, as UJ’s Centre for Social Change (2019) indicates. The Diagnostic Report (ANC 2017) showed that the ANC is

¹⁵ See “DFFE finalises decision on Karpowership environmental impact assessment applications”, 24 June 2021.

overall weak, factional, lacked intellectual depth, and is burdened by corrupt individuals, with some opposed to reforms like the step-aside policy (Saul 2022 1&2). Although the populace does not see an alternative to the ANC (Ryabchuck 2016), indications are that it is staying away from the polls as in 2019 when the “new dawn” was given a chance with a reduced majority (Onishi 2019), and with a worse outcome in the 2021 local government elections (ANC 2021). Surveys point to massive decline in ANC support (Ipsos 2022). Ashman *et al* (2010) make a correlation between inequality and low voter turnout including the potential for instability and derailment of democracy.

The above scenario paints a challenging picture in the DS discussion in chapters four and five, that is, in terms of leadership capacity and capability; its vision; closeness among the leadership that is a custodian of the developmental agenda; and a legitimate political party that should provide hegemony in society. Therefore, the challenge is whether the South African State can be autonomous in its relations with society, like Yao’s description of the Chinese central government, “disinterested”, “impartial”, “neutral amid social and distributive conflicts and anti-populist to a fault” (Yao 2022:25).

5.4.1.1 The National Development Plan (NDP)

The state developed and introduced the NDP that Brunette (2018) suggests was widely canvassed and a “keystone policy achievement of Zuma’s first term”. It set its aims as eliminating poverty and reducing inequality; engendering leadership, societal participation, growing an inclusive economy and building capabilities; and enhancing state capacity (NPC 2012:14). The Green Paper (Presidency 2009) proposed that the NDP sought to combine the country’s development vision and establish high-level planning in government. However, the detailed planning would be undertaken by individual departments.

Terreblanche (2012:118) suggests that the NDP suffers from ‘hyper-optimism’ not rooted in the historical context of racial and exploitative colonialism and apartheid oppression. In similar vein, Tau (2015) criticised it for being a technicist document – both given how it was written and its content and lacking embrace of a radical

hermeneutics. While Hassen (2011) characterises it as a long summation of present failures in the state and society, Spector (2013) points to its lack of focus because it covers too much ground. Mothabi (2017:86), however, suggests that while its diagnosis is adequate its proposed interventions fall short of addressing its stated aims and the policy challenges.

The NDP received extensive support across the business community, including the Black Business Council (BBC) and Business Unity South Africa (Busa) (SA News Agency 2013) and BASA (2017). However, it became an ideological contest in the Alliance. This centred mainly on the economic chapter and on the view that it was usurping the space of the NGP (COSATU 2013; SACP 2013a; 2013b) and the document was labelled as liberal and not advancing the Freedom Charter ideals by NUMSA (Jim 2013). In his address as the ANC Secretary General to the ANC Youth League that challenged the NDP – like the alliance partners – Mantashe (2013:2) argued that the NDP was the first attempt to develop a long and medium-term plan aimed at accelerating the implementation of ANC policies. Therefore, he implored that agreement on the underpinning principles would enable better engagement on issues, including those that constituted difference, and furthermore, that the NDP's implementation would be a process. This view was somewhat aligned with Manuel's (2013) assertion that the ANC needed the NDP and recognised the importance of adopting it at its 53rd National Conference. Masilela (2013), however, suggested that the terminology of "developmental state" was inserted in the final draft to the surprise of some drafters, revealing a power balancing act rather than a tight plan with specific priorities and timeframes. Therefore, it was naïve to have thought that the NDP would be easily implemented considering the contestation around it. This explains why the document appears as what Craig (2017) describes as nebulous, and Burger (2014) views it as an unknown idea of a DS. Hence, Mamabolo and Moyo (2014), arguing that it maintains the status quo by failing to ensure land reform and redistribution and access to mineral wealth, have proposed a review of the NDP.

Challenges attributed to the NDP are the lack of alignment between its targets and the budgeting process in the National Treasury as articulated by the Minister of Planning in the Presidency (Radebe 2017), resulting in the development of the Mandate Paper

(DPME 2018). Two assessments of the NDP (Bureau for Economic Research 2020; 2021) captured indicators of the NDP against the seven priorities of the 6th administration (2018/19) and the post-Covid-19 ERRP. Overall indications are that the country has lacked progress in most areas but maintained social spending. Fourie and Kirsten (2021) suggest that the indicators are a means to assess and quantify the work of government and hold it accountable to what it has committed to, like employment creation amongst others (Fourie and Kershoff 2021). The NPC (2018:4-5) has also recognised that the NDP lacks impact to transform society. It further highlighted that the MTSF is an inadequate tool to measure such an impact and that it is not possible to measure all the NDP priorities, which suggests the need to focus on a few priorities for implementation and tracking throughout.

5.4.2 Policy Shifts: State Intervention

A. The New Growth Path (NGP)

The State introduced the NGP in 2010, proposed as the state-led economic policy aimed at eradicating unemployment (DED 2010). The policy identified six areas for intervention: infrastructure development, agriculture, mining, manufacturing, the green economy, and tourism. It also identifies job drivers – the six priorities; resource drivers – a range of policy measures; and institutional drivers – pertaining to the state. The latter aimed at alignment of the fiscal, monetary policies and competition policies. This policy’s announcement was met with great optimism as it was projected to create 5 million jobs by 2020, with the Extended Public Works Programme (EPWP) said to add 400 000 job opportunities in Limpopo in 2014 (ILO 2011). According to Stiglitz (2011), the NGP signalled a contrarian approach to an international neoliberalism environment that had been hostile to such interventions. However, in the same ILO Report, both labour and the private sector argued that it lacked concrete detail.¹⁶

The envisaged alignment of the policy institutions and instruments did not happen. The Central Bank single-mindedly focused on price stability, directed at inflation

¹⁶ The Congress of South African Trade Unions (COSATU) called for a revision of the New Growth Path to include public healthcare and education and expand training opportunities. “The only mention is that the public service can generate 100000 jobs in health, education and policing by 2020. This [the New Growth Path] underestimates the role of the public sector” a Cosatu statement issued in December 2010 read.

targeting, which is unlike its US counterpart that considers employment along with monetary policy (Marcus 2014). Even the Treasury (2011:1) conceded that

stability is not the only policy objective for the financial sector. The sector is characterised by high and opaque fees, and needs to be more transparent, competitive, and cost-effective. Moreover, many South Africans do not have access to financial services. Not only does this inhibit economic growth, but it also keeps people trapped in poverty.

Echoing these sentiments, Gordhan (2011) emphasised the need for the financial sector to support the “real economy” through participation in the “ongoing transformation of our society, and our desire to bring a better life to all of our people.”

SARB’s narrow focus has been criticised for adversely impacting social grant and lower income earners when interest rates could be used as a distributive measure to enable consumption by the poor (Miyajima 2021). Stiglitz (2008) suggests that targeting cannot manage big external shocks, while Kantor (2017:34) argues that it caused monetary policy to be highly procyclical. Loewald *et al* (2020) argues monetary policy has been expansionary for ten years, also countercyclical (Alton 2018), creating financial stability before the financial crisis (Du Plessis *et al*, 2007). For these scholars, the challenge lies in the structure of the economy. Inflation targeting, however, according to Rodrik (2008), overvalues the currency in that even during periods of commodity booms there is no value-add to exports, thus impairing industrial policy. Furthermore, currency volatility, linked to a flexible exchange rate is responsible for economic turbulence (ECA 2011).

South Africa is a small economy that has little power over external factors that affect it (Loate *et al*, 2022:6). During the Covid-19 pandemic, looking at the response of other central banks globally, SARB came under pressure to adopt quantitative easing to manage economic shocks (Davie 2020; Toyana and Winning 2019). Despite the mixed messages from within the ANC leadership (Hogg 2019; Reed 2019) including markets and media concerns, SARB ultimately relented, and the intervention eased pressure on the markets and brought an overall positive economic performance to levels before the pandemic (Lawlor 2020). This suggested that various instruments can be used to absorb impact in the process of advancing national economic development (Rey 2015).

Added to the misalignment with monetary policy, there was a lack of co-operation between the Economic Department and the Treasury, the former responsible for the NGP and the latter for fiscal policy. This was flagged by Tregenna (2011) who considered the NGP as a positive start but noted that it would require the Treasury's supportive co-operation. In addition to suggesting that the NGP could be a symbolic policy intervention, Fine (2012) warned that it lacked the ability to tackle developmental negatives like financialisation of the market linked to illicit financial flows and other structural challenges linked to the MEC and black elite. Developments in the financial sector with South Africa's greylisting by the Financial Action Task Force (FATF) negatively affecting FDI and international exchange (Faku and Mochiko 2022) testify to his warning.

Natrass (2011) expressed concern regarding the NGP's lack of detail and an unrealistic outlook under circumstances that lacked a strong and efficient State, coordination of monetary and fiscal policy, and business and labour partnership, among others. Fölscher and Cole (2006) note that the state's political commitment to the strategy was lacking, having erroneously assumed enthusiasm to temper with macroeconomic policy as the previous administration had embarked on economic reforms.

In terms of employment the policy has been dismal. In the aftermath of the Covid-19 pandemic at the end of 2021, the optimism of the projected 5.5 million jobs in 2020 (ILO 2011) was dimmed by an unemployment rate of 34.9% or 7.8 million in the 3rd quarter compared to 34.4% or 7.6 million in the 2nd quarter, as shown in the Quarterly Labour Force Survey (StatsSA 2021). Additionally disconcerting were suggestions that current skills levels in the agri-business were inadequate for the future of South African farming (Dicey 2022). Efforts aimed at youth employment through the Presidential Stimulus Programme (Phillips 2022) were negligible and unsustainable considering its short-termism approach of work exposure, after which the participants would revert to unemployment. In addition, there was little alignment between the programme and, for example, the Department of Agriculture Land Reform and Rural Development's (DALRRD) National Rural Youth Service Corps (NARYSEC) programme established in 2010, and a number of other state initiatives focusing on

youth internships, employment and skills, that also draw in the private sector. According to Mthethwa (2015:7), the public service was recruiting 20 000 youths for internships, learnerships and artisan development programmes annually, with the intention of increasing these numbers.

It is thus not surprising that the NGP has hardly been mentioned after the phasing out of its lead ministry after 2018. In the context of the Covid-19 pandemic, a new document emerged from the Treasury (2020:3) which identifies “fundamental building blocks of long-run sustainable growth”. Some of those are a rework of what the NGP contained. It focuses on five themes that are part of the growth reform that prioritises economic transformation, inclusive growth, and competitiveness, that is, modernising network industries to promote competitiveness and inclusive growth; lowering barriers to entry and addressing distorted ownership patterns through increased competition and small business growth; prioritising labour intensive growth in agriculture and services; focused flexible industrial and trade policy to promote competitiveness and facilitate long-term growth; promote export competitiveness and harness regional growth opportunities; and quantify the impact of proposed growth reforms (2020:3-9). This has since become a reference point in recent government communications. The document sounds like the repurposing of GEAR and reflects what Jayasuriya (2018) refers to as a political and economic crisis of conservative capitalist democracies in the face of challenges to advance market reform, wherein old structures are inadequate, and states are weakened due to the trans-nationalisation of capital. Furthermore, this points to the lack of a common and coherent strategy that is flexible and adaptable at different moments (Baghi 2000; Deyo 1987).

B. Industrial Policy Action Plan (IPAP)

The first comprehensive post-apartheid industrialisation policy, the NIPF, was adopted by Government in January 2007 and conceived of industrialisation in the context of ASGISA. The IPAP was adopted at the July 2007 Cabinet Lekgotla (DTI 2007). Before Polokwane there was no industrial policy (Davies 2021; Zalk 2014) but rather a focus on industrial research-type programmes that did not reach fruition (Hirsch 2005), where the State sought to utilise the Extended Public Works Programme (EPWP) agreed to at the June 2003 Growth and Development Summit (GDS), adopted

by Cabinet in November 2003 and launched in 2004 (DPW 2004). The EPWP was intended as a

means to providing exposure to the world of work (but) not designed as a policy instrument to address the structural nature of the unemployment crisis. (DPW op. cit.:13)

However, despite the one million job opportunities created with R40bn expenditure between 2004 and 2009, the programme did not create sustainable employment leveraging infrastructure development (McCutcheon and Parkins 2009). This was followed by the introduction in 2005 of the skills acquisition initiative, the Accelerated and Shared Growth Initiative for South Africa (AsgiSA). As Mbeki (2006) noted, it was intended for the acquisition of priority skills needed to grow a competitive economy that creates jobs and would contribute to reducing poverty and unemployment by 2014. Linked to this challenge was the decision to delink employment and learning as was the case in apartheid through the SOEs. The institutional framework developed by the democratic state has failed to ensure labour absorption and exposure to skills required in the world of work (Kraak 2006), resulting in calls in the National Skills Development Strategy III (2020:3) to address a prevailing shortage of skills and mismatches to improve productivity in the economy.

IPAP aimed at sectoral intervention; industrial finance; trade policy looking at tariffs and exports; skills and education; competition policy and regulation; public spending through procurement, ESD, localisation, product designation, infrastructure, renewable energy; and industrial upgrades (DTI 2007). The policy has been relatively successful in slowing industrial decline and supporting growth and diversification in the manufacturing sector (DTI 2013:6; Zalk 2021). This was different to the narrow ASGISA approach that focused on service sector processes in business outsourcing, tourism, and biofuels to the exclusion of industrial sectors, argued Fotoyi *et al* (2016:25).

The ten-year review of IPAP highlights contributing factors to success as being, amongst others, policy certainty; collaboration with the private sector; careful design, review and adaptability of policy to a rapidly changing market environment; and adequate resourcing of programmes with conditional public sector funding (Davies 2018). Major challenges, as Bell *et al* (2018) show, are first, financialisation of the

economy wherein firms, unlike during post-war recovery and in East Asia, do not reinvest their profits. Fine (2010) suggests that financialisation of the economy adversely impacts developmentalism. Second, Bosiu *et al* (2017) argue that failure to reinvest amounts to a private sector investor strike and, further, supported by Stern and Ramkolowan (2021:4), the Competition Commission (CC) Survey (2021) and Bonakele (2021), that there is market concentration due to high barriers to entry for new businesses and where certain industrial policy interventions benefit big industries due to the structure of the economy. Post-Covid-19, drawing from its experience, the CC relaxed rules to enable small firms to collaborate for purpose of bulk purchases and pricing to allow them entry and competitiveness against larger companies (DTIC 2022).

Nonetheless, challenges remain in sectors like the automotive industry that, as Kaplan (2004) asserts, is globally uncompetitive without state support. Besides its approximately quarter of a million employees, its multiplier effects in the economy are not sufficiently discernible. What seems important is the state's relationship with organised labour in the sector. As Zarenda (2013) highlights, the challenge is, first, the state's inability to adequately quantify its assistance to industries, with the aim being to gain a better perspective on the value for money; and second, inability to develop an alignment between exports and imports to evaluate losses and gains. Furthermore, notes Black *et al* (2014), industrial policy initiatives, including the NGP, are thin on addressing mass employment, affirmed by the OECD's economic assessment (2008:12). Unlike the East Asian industrial policy, South Africa's is not a phased approach and does not start at a low base.

In addition, industrial policy has been hampered by lack of support from macroeconomic policy, corruption and maladministration, and a failing electricity system (Zalk 2014; 2021). The greatest challenge, however, has been the attitude of government to act as if industrial policy is a responsibility of a single individual and one ministry (Davies 2021). While State support has been beneficial to export sectors (Tsedu 2015) productivity growth during the phase of incentives has been weak and lagging industrialised nations (Barnes, Kaplinsky and Morris 2003). Stern and Ramkolowan (2021:4) enunciate that the state's trade interventions have largely been

inward focused, translating into negative export growth which significantly declined between 2010 and 2019. Regional trade, through the African Continental Free Trade Area (AfCTA) launched in 2021 is considered a potential contributor to growing the market for South African products (Hartzenberg and Erasmus 2021), given its likely creation of a market of 1.2 billion people with US\$2.5 trillion combined GDP (IMF 2019). Scholvin *et al* (2021) have noted that regional value chains provide the opportunity for economic growth with likely advantages, compared to attempts to integrate to highly established and competitive global markets.

The Ramaphosa administration in 2019 merged the DTI and DED with the CC into the DTIC. Emphasis has since shifted from IPAP to industrial masterplans in sectors like gas, poultry, and automotive, anchored on intensive expert industry research, working with business to identify key intervention requirements (Levin & Makgetla 2019). Their conceptualisation and operationalisation require a high level of social compacting between the state and social actors, which risks policy implementation when there is disagreement, and mandates are not received on time (TIPS 2019:2). The model resembles the pre-2007 process undertaken by the DTI through the NEDLAC chamber as detailed by Hirsch (2005).

C. Infrastructure Development

Major infrastructure projects and spend were conceived and implemented, for example, Ingula, Medupi and Kusile power stations, Gibela rail project, Gautrain rail and road, Nqura terminal, various dam projects, housing and hospital developments (National Budget Review 2010; Jacks 2012). Davies (2021:100) estimated that by the end of the first term of the Zuma administration, more than R1 trillion was pumped into infrastructure projects in transport, energy, schools and hospitals, which was more than double compared to any previous five-year term in the country's history. Benefits of infrastructure to the economy are low cost of production and consumption, uplifting household income and enabling easy access for citizens, leading to improved growth performance (Ngandu *et al* 2010).

Van Der Rheede (2022), Dicey (2022), and the Commission for Employment Equity (2022) have argued that economic gains would remain elusive without investment in

operational infrastructure such as roads, rail and ports; availability of land for production; and funding and skills development. Rohatny (2009) and Howard (2015) demonstrates how over one hundred and fifty years the USA, using its comparative advantages of land and sea, invested in infrastructure to emerge as the dominant power in the 20th century, whereupon industries and technologies were developed, employment and skills development including research and development increased. These impacted positively on production and economic growth. Howard (2015:1) insists on reducing the regulatory delays that cause projects to be in the system for as long as six years instead of two. Both also explain how a delay in investment in infrastructure adversely affects cost in terms of finance, time, bottlenecks, inefficiencies, quality of existing old infrastructure and potential advantages for the broader common good. This suggests that there are challenges related to the infrastructure crisis in South Africa.

Investment in infrastructure has not been robust with a focus on debt servicing. Projections in the 2015 budget suggested investment in economic infrastructure at 4.1% and debt servicing would grow at 10% (Gordhan 2015). Public sector infrastructure investment over the 2022 medium-term expenditure framework (MTEF) was estimated at R812.5 bn (Treasury 2022). Debt servicing in 2023 was projected at an average R366.8 bn over the medium term reaching R397.1 billion in 2025/6, resources that could be invested in addressing social needs or the future, according to the Minister of Finance (Godongwane 2023).

According to the South African Institute of Civil Engineers (SAICE) (2022), in 2022 South Africa's economic and social infrastructure recorded its lowest grade. Gains made since democratic governance have not been effectively sustained, and conditions have been steadily in decline since 2006, the report notes (2022:6). This has been most evident in the energy sector, where the country has been hit by blackouts that have crippled the economy, the Central Bank suggesting loss of R899m a day (Naidoo 2023). Walsh *et al* (2021) suggest a loss of R35bn between 2007 and 2019. One example of the direct cost to the economy is that of the dairy company Clover which closed their largest factory in South Africa which was in a smaller town as a key employer, leading to extensive job losses (Mashego 2021). Ramaphosa's energy crisis

plan (2022) has proven ineffectual due to de-capitalisation of the national power utility. According to Thomashausen (2023), emphasis on renewables including accepting the \$80 bn was the President's way to "pay" for the support he received from Europeans in 2017¹⁷. Port and rail infrastructure, including logistics, have not improved exports and regional and international trade (International Trade Administration, ITA 2021), with lack of investment by the private sector due to perceived lack of economic mindset in the state agency Transnet (Nyakabawo 2013). This has resulted in warnings from Fitch (Zwane 2023) and downgrades from Standard & Poor (S&P) ratings agency (Zwane 2023). These are additional to downgrades during the Covid-19 pandemic, coupled with economic recession.

Gqubule (2021) argues that there has been a public sector investment strike, with public sector investment declining by 54% over eight years since 2013. Furthermore, Ramaphosa's announced R400bn infrastructure fund in the 2018 SONA was reduced by R100bn annually by Treasury and gradually cancelled, leaving it at around R4bn in 2021. Hence Shevel (2021) suggests that the R189bn approved for the revival of the tourism sector after Covid-19 was a hollow promise. Landman (2022), however, was optimistic about the Ramaphosa government's budget allocations on infrastructure, that is, a 22% increase, except that business has criticised its slow implementation (Anthony 2022).

D. State Owned Enterprises (SOEs)

Determination to use SOE¹⁸s carried into the Ramaphosa era, with Gordhan (2018:2-3) stating they were key in advancing national interest, development participation, inclusive growth, and "addressing specific market failures or promoting a country's strategic interests"; delivering public services and goods to improve the quality of life; reducing cost-structure in the economy to enable efficiency and competitiveness through infrastructure build; supporting SMMEs; undertaking R&D; transforming ownership patterns through preferential procurement; and providing jobs, training and skills.

¹⁷ Thomashausen, a German diplomat, suggested the President had to return the favour to the likes of Chancellor Merkel who had lobbied for him internationally, including in forums like the G20.

¹⁸ Minister of Public Enterprises, Malusi Gigaba, announced that transformation will steam ahead through SOEs, suggesting "We are looking at programmes that will stimulate the economy" (Transform SA 2012, vol 4:18).

The Presidency (2014) argued that the Presidential Review Commission (PRC) appointed in 2010 to review the developmental mandate of SOEs was in line with the Polokwane outcomes, the Medium-Term Strategic Framework (2009–2014) and the stipulations of the Constitution of the Republic of South Africa, Act No. 108 of 1996, particularly chapters 2, 3 and 10. Among challenges highlighted by the PRC (2014, vols 1 and 2) were financing policies and frameworks that are inadequate; governance challenges such as board composition and function, lack of transparency and accountability, lack of oversight; on the mandate side were numerous and conflictual purposes; and more broadly, high politicisation of SOEs. The PRC made several recommendations, including rationalisation of the entities, professionalisation of boards; ensuring financial and fiscal discipline; defining the scope of SOEs; maintaining a database of SOEs, placing at the centre a developed coherent plan and strategy of SOEs on DS and its agenda, and establishing an SOE Council of Ministers. After Cabinet approved the recommendations in 2013, the Deputy President was mandated to chair the IMC to oversee the implementation of the recommendations. The IMC in 2016 recommended the establishment of the Presidential State-Owned Company's Coordinating Council (PSOCCC) to give effect to the recommendations of the PRC and of the Council of Ministers (Presidency 2016). The PSOCCC was modified in 2020 with a new council and developmental mandate for growth and development and self-sufficiency. The Presidential State-Owned Enterprises Council's (PSOEC) overview of SOEs (Presidency 2020) details SOEs and their repurposing, privatisation, equity issues, commercial role, governance, private sector participation and self-sufficiency.

Amendment to Regulations of the Preferential Procurement Policy Framework Act (PPPFA), Clause 9.3, enabled SOEs to stipulate localisation requirements in tender specifications not designated by the Minister. Another shift was the 2007 adoption of localisation and supplier development through the Competitive Supplier Development Programme (CSDP) which applied to the procurement programmes designed to increase the competitiveness, capacity and capabilities of the local supplier base (NIP 2013; DPE n.d:4). According to the Minister of DTI (DTI 2013), since 2007 the CSDP had contributed to substantial progress in the roll-out of this programme in some SOEs.

Eskom used the programme for the manufacturing of valves, transformers and compressors, enabling localisation through partnership with international firms, creating avenues for skills development and training. The valves would also contribute to low carbon emission and the establishment of the Valve and Actuator Manufacturers Cluster of South Africa (Vamcosa)¹⁹ in 2011 followed to interact with SOEs and develop skills in companies that supplied the local valves sector, and thereby contribute to standardisation and R&D (Kilian 2012). These are critical aspects, as discussed in chapters three and four, for industrialisation. The Minister of Public Enterprises launched the Market Demand Strategy to maximise localisation the multiplier impact of the investment strategy (Jacks 2012:18).

The green economy, initiated by President Zuma with a R2bn guarantee from Green Economy in Copenhagen, Denmark in 2009 (Eberhard *et al* 2014; GreenCape 2020; Lekorotsoana 2021) was driven through the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP) linked to the Department of Mineral Resources and Energy (DMRE). It aimed to attract private investment into electricity generation and introduce low carbon technologies and has been hailed as a successful programme and global example of how the state could create a market and involve the private sector (Growthpoint n.d).

The Gibela programme was implemented through Passenger Rail of South Africa (PRASA) to build new trains, develop skills and build a pipeline of suppliers as well as produce trains for the African market. The State invested R51bn in a consortium with a majority stake held by Alstom, a French company, and a BEE entity. The first two test trains were made in Brazil and the remainder were made in South Africa, with the first one hundred cars - of the required 600 – unveiled in 2022 (Venter 2016).

CSDP 3 was seriously compromised by corruption involving an external international consultancy, McKinsey (State Capture Commission 2022; Abedian 2022; Sithole

¹⁹ Mark Wilson, member of Vamcosa said, “We also want to promote interaction between industry and State-owned companies (SoCs) as well as...municipal-owned enterprises (MoEs)... Vamcosa also aims to improve standards and specifications and create ones that are uniform throughout SoCs and MoEs, and to promote exports by improving quality and continuous research and development” (Engineering News 9th November 2012).

2022). The Gibela projects were, unfortunately, overshadowed by a corruption-linked PRASA R2.7bn investment in Swifambo Rail Leasing, where trains were procured from Spain and the official involved was proven to have been unqualified (Open Secrets 2022:20-23). As discussed in the previous chapters, and shown by Spector (2013), corruption emerged next to developmentalism, often threatening it or existing parallel to it. A weakness of the Gibela model, contrary to the propositions by Amsden and others in the previous discussions, is that the French-South Africa consortium is majority foreign-owned. There is thus a lack of domestic capacity being developed, and limited transfer of skills and technology. Second, there were no conditions placed on the BEE partner. In the case of the Independent Power Producers Office (IPPO), reliance on quotas for transformation referred to in the BEE discussion lacks developmentalism. Kikeri (2016) shows that improving SOE performance and capacity is critical to the implementation of policy objectives and improving the economic trajectory, including addressing the leadership and governance challenges that may emerge (Lekorotsoana 2019). For example, in the case of the Land Bank, this would require resolving its insolvency by reducing the debt and addressing the non-payment of loans by farmers (Majola 2022; Nkosi 2022). It is also necessary that an overarching governance and seamless legislative framework (Kanyane and Sausi 2015), presently in process in the SOE Council, is implemented with urgency, as well as engendering efficiency and an economic mindset in entities such as Transnet (Business Day Editorial 2022).

SOEs play a central economic function with more than 8.5% contribution to the GDP and are responsible for maintenance of networks, services in sectors like infrastructure, finance, national security and social services (Kikeri 2016:2). They are categorised in according with the PFMA (Table 5.1). There are some entities, like the IPPO that is fully funded by the DMRE, that are yet to be classified, thus reinforcing the recommendation of the Presidential Review Commission (PRC) that the State should maintain a database.

Table 5.1: SOE Categorisation

<p>SCHEDULE 1: <i>Constitutional Institutions</i>: created in terms of Chapter 9 of the South African Constitution to safeguard democracy, for example, Commission on Gender Equality, Financial and Fiscal Commission.</p> <p>SCHEDULE 2: <i>Key Public Entities</i>: autonomous, operate in competitive markets, must be profitable and declare dividends, are run in accordance with general business principles, have the consent to borrow money through the accounting authority of that entity, that is, they have extensive borrowing powers but limited by Section 66(7) of the PFMA. Among them are Eskom, Transnet, DBSA, IDC.</p> <p>SCHEDULE 3A: <i>National Public Entities</i>: rely on government funding and public money, either by means of a transfer from the Revenue Fund or through statutory funds and are mandated to fulfil a specified economic or social responsibility of government. For example, PRASA, Brand SA, NEF, Land and Agriculture Bank.</p> <p>SCHEDULE 3B: <i>National Government Business Enterprises</i>: generate income, are either self-funded or government funded, and have limited borrowing powers. For example, PIC, Rand Water, Sentech.</p> <p>SCHEDULE 3C: <i>Provincial Public Entities</i>: rely on government funding and public money, either by means of a transfer from the Revenue Fund or through statutory funds and are mandated to fulfil a specific economic or social responsibility of government. Among them are Gambling Boards, Tourism Authorities.</p> <p>SCHEDULE 3D: <i>Provincial Government Business Enterprises</i>: generate income, are either substantially self-funded or substantially government funded, have limited borrowing powers. For example, IDZs.</p>

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E. BEE and BBBEE and the Black Industrialist Programme (BIP)

BEE policies continued with various amendments being made, firstly, making fronting a statutory offence (Davies 2014), and secondly, the composition of the BBBEE Advisory Council which was chaired by the President (Zuma 2010). Since the model was conceived by and relied heavily on white capital, it proved unsustainable because when private business was uninterested the process did not progress.²⁰ Furthermore, the proposed sector codes, on their own, proved insufficient for sustainable transformation.²¹ According to Scheifele *et al* (2022), local content quota requirement in solar and wind technologies have not contributed to growth and export growth because they are not linked to their industrial structures and while there has been broader socioeconomic development linked to these codes, it has been negligible (DMR 2009; MCSA 2020; van Diemen 2022).

The policies have contributed to the emergence of a limited number of black capitalists (Sanlam Gauge Report 2022). However, as Motlanthe (2014) suggests, most are a

²⁰ Adriaanse, the CEO of Enterprise Development Property Fund indicates this in the Sanlam Gauge Report 2022.

²¹ Crosby in Sanlam Gauge Report 2022.

privileged politically-connected group of selfish elites parasitically living off state subsidies – “set asides” – without conditions stipulated for performance and economic impact. As Vilakazi and Moore (2023:8) suggest, BEE impeded rather than engendered empowerment of the majority due to, *inter alia*, issues of corruption.

The introduction of the BIP in 2016 aimed to ensure an entrepreneurial component, covering areas of shareholding, participation in boards, manufacturing, localisation, innovation, and export-driven industrialisation (Zuma 2015; National Empowerment Fund (NEF) 2022). The programme is primarily aimed at black-owned companies and entities intending to expand their operations, start up new operations and/or become self-sufficient (DTIC n.d). The policy was approved by Cabinet on November 4th, 2015, and aligned with the Industrial Policy Action Plan (IPAP), the National Development Plan (NDP and the Nine-Point Plan announced by President Zuma during the 2015 SONA (DTIC n.d.; IDC 2022). Presenting in the National Council of Provinces (NCOP) in 2022 (PMG 2022), the Department of Trade Industry and Competition (DTIC) (DTIC 2022) highlighted that the programme had, in the previous seven years, funded one thousand black industrialists in the amount of R36.7 billion. However, challenges remained, such as access to support and facilities from commercial banks because of lack of collateral and business track record; barriers to entry due to monopoly and concentrated markets (Bosiu *et al* 2020); and lack of experience that limited the ability of new entrepreneurs to respond adequately and rapidly to market conditions and changing environments (DTIC 2022). According to Vilakazi and Moore (2023), although the programme signifies a shift from previous practices through funding mechanisms such as grants and preferential procurement, its narrow focus on black industrialists constrains holistic industrialisation and its progress will be limited due to the State’s lack of holistic economic developmental planning.

Overall, BEE and BBBEE related policies need to be reviewed to align them to the industrialisation project, while addressing economic inclusion of the majority, and deal with mere compliance with codes (Tlhoale 2022; Khumalo 2022). Similarly, as Avery (2022) noted, the most effective way to use state resources requires clarification; that is, whether direct to active labour market programmes or to promote creation of new

business or expansion of existing ones. This also means that there should be evaluation of investment in BIP not only on the quantum of money invested by the state but in which areas and what the returns have been.

In summary, the state has utilised different models of intervention. There are also indications that when the state collaborates – through SOEs, working with capital, such as during Covid-19 when DTIC’s Council for Scientific and Industrial Research (CSIR) collaborated with private companies to manufacture ventilators (Venter 2020) – development can occur. Furthermore, despite the Uruguay framework it agreed to during transition (DIRCO 2022), the state has applied protectionist measures in various industries including automotive and textiles (Davies 2021) and poultry (DTIC 2022) which were relaxed during the Covid period. Didiza (2022) argues that the relaxations would undermine the growth of the industry. Use of tariffs, although positive in limiting demand for foreign exchange, adversely impact exports due to increases in price of the Rand in foreign currency (Freytag 2011:11). The impact of global conditions on South Africa, like clean fuels, carry implications beyond technologies due to the country’s lack of capacity in refineries and finances. If policy reforms were implemented for clean fuels, these would lead to job losses since companies would instead import finished products (Phillips 2021). This explains delays since pre-2007 and recent withdrawals by the DMRE of the new policy regime (DMRE 2022).

5.4.3 State-wide planning, co-ordination and implementation

5.4.3.1. The Presidency

The Zuma administration announced that the Executive and the state had to be

re-organised to achieve better alignment between the structure, our electoral mandate as per our election Manifesto, and the developmental challenges... (Zuma 2009)

The Presidency added two Ministries, namely the Minister of National Planning Commission (NPC), and the Minister of Performance, Monitoring and Evaluation (PME), which were in the Presidency. There were also other cross-cutting ministries established. The Ministry of the NPC arose as a compromise between the warring perspectives in the Alliance since the left opposed Zuma giving planning to Trevor Manuel whereas the ANC wanted to (Majova 2009; Govender 2009).

Performance, Monitoring and Evaluation (PME)

The Ministry of PME was set up in 2009 as a consolidation of the work that had been underway since the mid-2000s, attempting to do monitoring and evaluation of government programmes as part of the transformation of the public service. The intention was to align data and systems between the Presidency, Treasury and Statistics South Africa, hence the policy framework developed between 2007 and 2011 (Engela and Ajam 2010). Other functions related to the annual performance plan (APP) were incorporated into the PME. When PCAS was dissolved in 2010, some of its functions, except coordination, were absorbed into the ministry (Butler 2013). Phillips *et al* (2014:394) suggested that the 2009 administration considered M&E important to improve performance and

linked to a desire by Cabinet and the ruling party to get early warning of problems, to understand what was going wrong, and how it could be corrected. This fits with the discourse in the ruling party on the developmental and activist state which must intervene to support social and economic transformation.

The DPME's (2012) survey of how departments used monitoring and evaluation revealed that they were merely complying, and management did not recognise the benefit in policymaking and evidence-based data.

The new reconstituted DPME, that is, Planning Monitoring and Evaluation and not Performance Monitoring and Evaluation, was formed in 2014 with the merger of the two, with a focus on implementation of the NDP (DPME 2021). This was a shift in that it created a department. The Presidency, post-2019, added more ministries to it. The most recent was the Minister of Electricity to drive the energy crisis plan, a feature that Thomashausen (2023) referred to as “parallel executives” that render diplomacy more complex. The new ministries, specifically the Minister of Electricity, created difficulties in relation to the powers vested in the Ministers of Mineral Resources and Energy (Nyathi 2023) and Public Enterprise (Enzor 2023) respectively.

Both Presidencies have, however, demonstrated political will in pursuing their specific agendas, for example, Zuma on HIV/AIDS, free education, handling the GFC (Calland and Sithole 2022) and support for agriculture (Zuma 2017), among others but lost out on the nuclear build (Cronin in Creamer 2013). Ramaphosa pushed renewable energy (Thomashausen 2023), was adept in lobbying industrialised and African countries to

support his call on the WTO to waive patents for vaccines such as in relation to the TRIPS regime for vaccine manufacturing in the continent, in turn benefitting South Africa's Biovac which is partly state-owned in the process (Meldrum and Petesch 2021; Reuters 2020). His reforms have been slow and gradual (Landman 2021) and there have been challenges presented by infrastructure. Internationally, sometimes faltering according to DIRCO (2019), the Presidency has maintained South Africa's influence in both the continent (Lansberg 2004) and mediating at a global level (Cornelissen 2006); its soft power in BRICS (Yong 2012; DIRCO 2022:16) – although trade is not as strong as with the EU (Onyekwena *et al* 2014) and G20 (Melber 2013) with the latter causing South Africa to lose preferential status during the Trump administration (Business Insider 2020). The Biden administration has demonstrated its intention to repeal it and strengthen diplomatic and trade relations with South Africa (Monyela 2022). In terms of international institutions South Africa has sought to ensure its participation benefits the continent (Habib 2013; Palloti and Zambernardi 2016) in line with its foreign policy approach of a better country, a better Africa and a better world (DIRCO 2011; ANC 2012).

The National Planning Commission (NPC)

The NPC was constituted as an independent body of experts and professionals to develop the plan under the leadership of Minister Manuel (Govender 2009; Majova 2009). Initially it was thought it would have a Ministerial Committee on Planning (MPC) that would provide political input (Manuel 2009) and the Minister in the Presidency for National Planning would liaise with the NPC (PMG 2009). Structurally, it has work streams for the areas of research it undertakes and has a secretariat in the DPME (Presidency 2009). It is not a bureaucratic structure and is without authority over the state and its institutions and would be “advisory” (Manuel 2009). Consequently, it cannot impose its decisions on the state except to “assuage” as a commissioner highlighted (Masilela 2021).

This configuration of the NPC is a departure from how agencies of this nature are conceptualised in the DS elsewhere, hence its underlying weaknesses and ineffectiveness (Edigheji 2010). COSATU (2009) suggests that the NPC was flawed because it was a departure from the principle, to build the strategic, organizational and

technical capacities of government with a view to a democratic developmental state. The federation and the SACP had proposed a package of restructuring the state which included a two-tier Cabinet structure, a planning commission headed by the Presidency, reconfiguration of ministries and transformation of the bureaucracy (Cosatu 2009). Cronin (in Creamer 2013) highlighted that the NPC not being an “organic state planning commission” it would encounter implementation problems. This was the point made by Qubule (in The African Report 2009) that the NPC

is not a super-ministry. It sets goals and objectives of the economic policy. After that, the economic development ministry will be responsible for spelling out the methods of implementation, while finance will be responsible for funding.

As the SACP (2013) suggested, the matter was concluded by President Zuma’s decision to have an independent body of professionals.

Presidential Coordination Council (PCC)

This was established in 2011 to develop systematic selection, planning and monitoring of large projects, with spending for infrastructure development and skills development over a twenty-year project pipeline (Motlanthe 2012; Patel 2013). PICC was chaired by the President and comprised of Ministers designated by him, the Premiers, and leadership of SALGA, with the Minister of Land Reform and Rural Development chairing the management committee and the Minister of Economic Development heading the secretariat (Lalla, Lembede *et al.* 2013 parts 1, 2, 3). Zuma (2012), at a BMF conference, enunciated the importance of this being coordinated and accountable to the President. The two ministers had close relationships with the President and had the authority and presidential mandate to override other ministers on matters of implementation (Cronin 2014). This resonates with literature on DS.

In 2014 Parliament passed the Infrastructure Development Act No. 23 of 2014 to institutionalise infrastructure development. The PICC had smaller operational structures to ensure work was done for consideration by the Council (Motlanthe 2012). This, therefore, shows a semblance of the idea of a pilot agency. Another important aspect of the Act 5(1), (2) and (3) is that it recognises the need for land expropriation for public purposes. This is important when considering even remarks about the need

for land for productivity purposes (Van Der Rheede 2022; Dacey 2022). Indications are, however, that land reform measures are failing (Cousins 2016).

It was responsible for the National Infrastructure Plan (NIP) that developed the Strategic Infrastructure Projects (SIPs) in areas of transportation, energy, water and telecommunication, among others. The infrastructure-build of the three coal-fired power stations, Medupi, Kusile and Ingula and the REIPPP emerged from this plan. Linked to the SIP strategy was skills development, working with the Department of Higher Education and social partners, as part of the NGP National Skills Accord. Significantly, despite a steady increase in post-school enrolments in TVET – that is, 670 455 in 2013 (Portfolio Committee on HET 2017) and 1.1 million in 2022 (Kosie 2022), technical and artisanal skills were below the NDP target of 30 000 qualified artisans per annum by 2030 (adcorpgroup.com 2020). The DHET's Minister Nzimande noted that in 2014 South Africa was producing an average of 12 000 artisans per year (skillsportal.co.za 2014) and 18 110 in 2017. However, in 2022 South Africa needed 60% of school leavers to train as artisans (Chetty 2022).

The Ramaphosa administration adopted the model with slight modification to the structures and the SIPs, which is led by the Department of Public Works and Infrastructure (DPWI) with coordination through Infrastructure SA, an independent unit that accounts to the DPWI Minister and the President and comprised of public and private personnel. Second, its secretariat is not led by a Minister and emphasis is on technical skills and private funding resulting in the creation in 2018 of a blended financing tool of both public and private sources, the Infrastructure Fund that is managed through the DBSA. This culminated in the gazetted National Infrastructure Plan 2050 that sets out SIPs (DPWI 2022), but projects are yet to be implemented.

Operation Vulindlela (OV)

This brought together the Project Management Office (PMO) in the Presidency and the Treasury, with the aim of implementing reforms and unblocking bottlenecks where they prevail, specifically in the context of the ERRP (SA Government News Agency 2021). It accounts directly to the President, is insulated by the office to the disapproval of some ministries (Manuel 2021), has some authority to apply pressure on

departments, and works with capital. It is a small unit comprising bureaucrats who are responsive and adaptable (Magubane 2021; NERC 2021; ESIED 2022). Ramaphosa introduced OV to replace Zuma's Operation Phakisa which he introduced after his trip to Malaysia (Magubane 2021). Like the M&E, the model draws from the example of former United Kingdom prime minister Tony Blair's office (Phillips et al *et al* 2014). OV provides another glimpse into a potential pilot agency type structure.

There have also been attempts in the Presidency to revive a policy unit, like PCAS. The unit, called Policy Analysis and Research Services, was headed by a qualified bureaucrat who had been in the Presidency since the Mbeki administration. The unit, unlike PCAS that prepared memoranda for Cabinet and government-wide coordination and strategic planning, seems focused on research. Hirsch (2019) considered this an important development in the Presidency given the need to strengthen policy capacity. It is, however, unclear what has become of the unit; besides the framework document it produced as approved by Cabinet on December 2, 2020 (Presidency 2020) since its head was redeployed to lead the National School of Government (NSG).

Forum of Directors General (FOSAD)

The Director General (DG) in The Presidency is the head of FOSAD, which is responsible for management and processing of policy and technical issues across departments that ultimately inform the workings of government. The assumption, therefore, is that DGs are highly skilled and highly qualified, possessing problem-solving capabilities, able to coordinate across government and are performance-driven and results-oriented. However, as Butler (2013:6) notes,

The high turnover and uneven quality of DGs is for this reason one of the major challenges confronting the national government.

5.4.3.2. Departments

Regarding old ministries, education was split between higher education and basic education. Higher education would be responsible for sector education and training authorities (SETAs), intended for skills development since the erstwhile work-based approaches had been discontinued after 1994. The Department of Minerals and Energy was split into Energy and Mineral Resources. These have since been amalgamated in 2019. The arguments then were that these would provide focus to the work of the State.

The reorganisation was applauded as signs of defeat of the neoliberals in the ANC, a redefinition and strengthening of the state and refashioning of state-society relations (Cosatu 2009; Ngalwa 2009), while the DA saw the ascent of Communists and a bloated government (Trollip 2009).

A new Ministry was set up to lead the new economic approach of DS, Economic Development. The Department of Economic Development (DED) was, from the start, doomed to fail given that it lacked financial and physical infrastructure support from the National Treasury, causing it to operate from the DTI building (Davies 2021) and almost seeming like an appendix thereof. The Ministry was established because of pressure from COSATU that associated the former Minister of Finance with GEAR and wanted someone from the left to lead economic planning and policy, who they accused of creating his own “kitchen cabinet” (Majova 2009). These pressures were exerted on President Zuma, creating uncertainty around the new Minister of Economic Development, at one stage publicly suggesting he will deal with the economy (Africa Confidential 2010). This was a State in turmoil because of divisions (Netshitenzhe 2012; Mavimbela 2018:383) impacting its ability to lead.

The IPPO

The Independent Power Producers’ Office (IPPO) is linked to, but is independent of, the DMRE, partnering with the National Treasury and Development Bank of Southern Africa (DBSA) to ensure the development of the renewable energy sector as one of the six priorities of the NGP. The entity also works with the DTIC to ensure compliance with BEE codes. It has been effective in working with the private sector. The entity is populated by highly qualified and skilled bureaucrats and officials from SOEs. It could also draw from expertise outside it through the DBSA. This provides the potential for a developmental network type model.

5.4.4 State relations with Social Actors

The post-apartheid South African State institutionalised dialogue between business, labour and government by establishing the National Economic Development and Labour Council (NEDLAC) in 1994. The NEDLAC was preceded by the National Economic Forum (NEF), where business and labour engaged, which was established

after the value-added tax (VAT) strike. The forum, in the context of and to mitigate against the rapid liberalisation that was underway, had agreed on various measures aimed at reforming South Africa's labour market (NEF 1992; 1993a; 1993b). The ANC was not pleased with the agreements and had rejected them and instead was favourable to the liberalism proposals of "growth for all" emanating from the South African Foundation (1996) (Spicer 2016), where business supported GEAR over NEDLAC, as Parsons (2001) suggests. According to Basset (2004), this was the abandoning of a cooperative approach with labour. Attempts like the Growth and Development Summit (GDS), aimed at narrowing the gap with labour and developing an agreement about growth, failed (Makgetla 2003).

The GEAR framework had introduced labour market reforms through the Basic Conditions of Employment Act (1997), Skills Development Act (1998) and the Employment Equity Act. Although the SACP (1996) considered the reforms as the introduction of an innovative approach to flexibility rather than *laissez-faire* market-driven flexibility, organised labour through COSATU rejected these (Vavi 2014). The framework also committed to a government-union National Agreement Framework on restructuring state assets to prioritise service delivery and job creation. COSATU rejected this as an attempt by the state to coerce it to support what it perceived as a blanket social contract (Gomomo 1997). Cronin (1998) criticised these efforts as the state talking on two sides of its mouth. This outlook would frame the federation's stance for the forthcoming years, and contributed to hostility with the Mbeki government, including the fact that agreement with organised labour on the social contract never materialised (Webster and Sikwebu 2009:176). At the same time, alongside de-industrialisation, the state undertook privatisation of public assets which caused consternation within the Alliance (Lodge 2004). Added to these tensions, the state objected to macroeconomic policy being part of the NEDLAC dialogue (NEDLAC 2004; 2005a; 2005b).

According to Spicer (2016:6) there was, in the initial stages, mistrust between the ANC, State and business until the establishment of the Business Trust (BT). In his view the private sector wanted to participate in development with the State, beyond mere social responsibility-type programmes. In addition, the sector wanted to make

alternative proposals to those that had emerged from the Truth and Reconciliation Commission (TRC) which it disliked. The BT evolved into working groups that were broader than the Brenthurst Group that had begun under Mandela.

President Mbeki also created various working groups to facilitate state-society relations – that is, big business, trade union federations, Black business, and the agricultural sector; and sought to interact with international business experts, the latter known as the International Investment Council (Mbeki 2000). However, as Mbeki (op. cit.) stated, these structures would operate alongside the National Economic Development and Labour Council (NEDLAC). This fostered greater collaboration and interaction with private capital and, to some degree, sought to discipline the social partners while creating synergy and developing mechanisms intended to implement Government strategy.

The Zuma administration relied more on the social dialogue platform of NEDLAC, especially in response to the GFC in 2008/9, and ad hoc interactions with business (Presidency 2012; African News Agency 2016). The Presidency, rather than discipline social groups, responded to pressures and populist interests from a variety of social actors, including labour and students. Faced with a recession in 2009, strike threats from the NUM and NUMSA against interest rates, and COSATU pressuring the State to meet commitments that had been made in the alliance, the administration presented a populist note (Roelf 2009). The unplanned announcement for higher education was also in response to the violent student protests that had engulfed tertiary institutions, especially the more prestigious entities (Ahmed and Spies 2017; Pather 2017). These responses contrast with the early years of the Mandela administration that confronted similar volatile situations, including rationalisation of the public sector (Mandela and Langa 2017).

According to Piper and Matisonn (2009), the alliances forged to oust Mbeki dominated state-party and state-labour relations. This would later be negatively affected by the split in COSATU when some thought the ANC government had not lived up to the radical agenda and that the federation had merely acquiesced. Since the breakaway, coupled with the rise of AMCU in the platinum sector, and despite attempts between

the different labour unions and federations to work together, the broader labour movement has been left weak. Another reason for a fissure was the capture of the state by the Gupta brothers (Myburgh 2017; Mothepu 2021) which contributed to a further trust deficit between the state and its social partners (Afrobarometer 2021). The critical aspect arising out of the period of state capture²², usually overlooked in broader analysis, is the mass mobilisation of various strands of society – for example, SaveSA, Defend our Democracy, #RhodesMustFall, #FeesMustFall and others, in defence of constitutional principles and democratic values that were integral to the liberation struggle and, subsequently, the ability of this movement to hold both the governing party and the State accountable. Ramaphosa’s administration has overemphasised the fight against corruption but has lacked the ability to tap into mass mobilisation and channel its collective strength towards a developmental agenda which, among others, would include support for the rule of law to create a stable environment.

A feature of the Ramaphosa administration, much like Mbeki’s but even more than it, has been almost complete reliance on the private sector. This was evident in business said to help run the President’s office with cash, and which Paton (2023) questioned the ethics of. The administration has, however, also relied on the NEDLAC forum and protracted consultations with many social groups each time a decision had to be made.

In the context of weak organised labour, the state was able to unilaterally implement a 3% wage increase (Smit 2022) outside the collective bargaining processes. Notably, this was the first time in 23 years that government attempted to do this; the previous time in 1999 it had led to a national strike by public sector workers. The action is in line with the recommendation of the Intellidex (2020) report for a “social compact” with labour that targets Government’s payroll costs to fall. At the same time, the administration has managed to gain concessions from labour on reforms at the national electricity utility, Eskom. These should be considered in the light of the President’s 2022 SONA that was an olive branch to business, intimating deregulation of the labour market.

²² Since the allegations of relations between the Guptas and President Zuma, their subsequent influence of the State, state capture has often been limited to events of the Zondo Commission. However, the State can be captured by any social actor in society, including the minerals-energy-complex (MEC). Hence, the argument for embedded autonomy and ability to discipline society. Hence use of the term in this broader sense, which includes both meanings, referring to the state capture narrative.

The post-Covid-19 Economic Reconstruction and Recovery Plan (ERRP) (Ramaphosa 2020; 2021) has been the President's attempt at implementing economic reforms and building a social contract with business and labour. Since its announcement there has been an attempt to develop a framework for social compact, which has proven elusive thus far. The draft document²³ recognises that the July riots of 2021 and the Covid-19 pandemic precipitated a turning point for South Africa. and

represent a severe economic and political shock. Together with over a decade of a stagnant economy, the convergence of these events has created a moment of profound uncertainty and disruption, unlike any experienced since the transition to democracy in 1994. In this moment, there is the possibility of significant positive change, as well as the risk of an irreversible deterioration.

This, for the first time, implies vulnerability on the part of the dominant classes, almost shifting closer to the East Asian systemic vulnerability described by Doner *et al* (2005). All social partners at the 27th NEDLAC Annual National Summit on 9 September 2022 agreed that the ERRP is yet to be concluded. Although the President established a high-level team, comprising the Deputy President and key Ministers (Presidency 2020) and committed during the SONA (Ramaphosa 2022) to have the social compact finalised in one hundred days, it was not done. Notably, in his first address to the nation, the President had committed to create a new social compact (Ramaphosa 2018).

Cabinet approved the establishment of the National Economic Recovery Council (NERC) on 21 October 2020, to be chaired by the President and comprised of the Deputy President, the Minister in the Presidency, and Economic Cluster Ministers. Its purpose was to meet monthly, oversee and monitor implementation of the ERRP and interface with NEDLAC (GCIS 2020). Strategic focus areas of the ERRP were identified as: infrastructure investment; employment orientated strategic localisation, reindustrialisation and export promotion; energy security; support for tourism recovery and growth; gender equality and economic inclusion of women and youth; green economy interventions; mass public employment interventions; strengthening food security; and macro-economic interventions (Presidency 2020:3-4). NEDLAC played a critical role in helping to put the ERRP together and encouraging social partners to

²³ Framework for Social Compact in South Africa version 11, 26 October 2022 (confidential).

coalesce (NEDLAC 2022). Parsons, however, has suggested that ERRP lacked a credible and implementable framework (Roodt 2020), was thin on how to finance its goals (Delport in Bloomberg 2020), and all social partners – BUSA, B4SA, SACCI, MCSA - bemoaned the lack of the state’s capacity to implement it (Polity 2020), with COSATU (2020) adding that for it to succeed it should attend to both fiscal and monetary policy challenges.

Challenges arising here pertain to developing a social dialogue forum capable of not only tackling challenges brought forth by pandemics, but which is also able to include parties that were not in existence in the past but have a voice in the present climate; that is, Moyane’s fit-for-purpose NEDLAC (NEDLAC 2022:11). Key also is the state’s ability to urgently implement the plan, provide the required detail, and win the trust of social partners. It also remains to be seen how long the Ramaphosa administration will continue to hold sway over labour if the state fails to deliver reforms in areas of energy and transportation, central to industrial unions, including issues of labour market deregulation and the reconfiguration of the state.

The second level of interaction is at Ministerial and department level with sector associations. This is demonstrated by the partnership that has emerged between the DTIC and the Business Process Enabling South Africa (BPESA). BPESA is recognised as the Industry Body and Trade Association for the Global Business Services (GBS) sector in South Africa. This is an export services sector with a domestic and international footprint. As a result of a good working relationship with the DTIC, the sector was declared an essential service, enabling it to provide services during the tightened Covid-19 lockdowns. South Africa, in April 2021, won first prize as the global preferred front office CX offshore location (www.bpesa.org.za). Similar relationships exist between the DMRE and the MCSA. This relationship saw the mining industry phasing in a gradual operational plan from level four lockdown onwards, which rescued the economy and the industry from collapse (Mantashe 2021). The DMRE has worked with various companies in the energy sector, leading to the launch of the Energy Council. The aim is to ensure cohesion, integration, and coordination of the sector, so that it has a single voice in its engagement with government; much in the way that the MCSA and the BPESA have done (Creamer

2021; Stoddard 2021). What is important, in the context of DS, is that sector associations also interact to monitor their members' activities. Khumalo (2022) notes that the sector councils, which were created to measure and drive transformation, "that had strong representation from top industry companies tended to be financially stable, professionally managed by a full-time executive team, open to third-party engagements and kept up to date with annual reporting".

Government-business relationship in South Africa, historically and throughout, is characterised by lack of trust (Spicer 2016). Consensus is that partners were suspicious of each other and unlike during the Mandela/Mbeki administrations, the relationship with the Presidency was not solid (Barnes, in van Niekerk 2022). One CEO was quoted as saying,

We need to breach the trust deficit with government. They deal with us sometimes with scepticism and do not always trust our intentions and we probably have the same view.²⁴

In relation to other social partners, Jara (2021:4) argued that there was lack of viable mass organisation able to provide leadership capable of responding to contemporary challenges. Further, he noted that, South Africa confronts a "deep rupturing of the post-apartheid consensus" (ibid:7).

5.4.5 Professionalising the Public Service

The new state confronted the development of a bureaucracy that would implement the new transformational mandate, including racial and gender representativity. Mandela and Langa (2017:175-208) outline immediate challenges amidst the security threat before the democratic state. First, the ANC had not thought about and prepared for a public service.²⁵ Second, neither senior cadres nor leaders of the ANC possessed technical expertise about public service administration, compared to the apartheid bureaucrats albeit with outdated management practices (Cameron & Tapscott 2000:81-86). At the onset, the new administration's senior officials were better equipped on policy development, a necessary skill at the time, but lacked managerial capability.²⁶

²⁴ Jannie Durand of Remgro, said to be worth R69bn on the Johannesburg Stock Exchange, JSE. In Khumalo K (2023) "No trust between state and business, says Remgro CEO", *BusinessDay* 23 March.

²⁵ Zola Skweyiya, who became the first Minister of Public Service and Administration said, "When it came to the question of the civil service, the public service, I don't want to lie, there never was very much preparation on the side of the ANC" (Mandela and Langa 2017:177).

²⁶ Geraldine Fraser-Moleketi, interview by Tony Trew, 26 July 2016 (Nelson Mandela Centre of Memory – The Presidential Years Collection).

Third, there was a lack of trust between the new administration and the old (Taljaard 2015). Ruiters (2014) points out that the old administrators were not only conservative but were resistant to change. Fourth, public service was corrupt (Hyslop 2005; Mbeki 2006; Motlanthe 2014). Fifth, the new government did not have the power to appoint senior bureaucrats until 1996 when the apartheid Commission for Public Administration (CPA) was replaced by the new Public Service Commission (PSC). This necessitated developing measures to enable the new ministers to act, thereby unwittingly creating some of the legacies that continued to affect the workings of government.²⁷ Sixth, and complicating this reality, was the sunset clauses (Slovo 1992) that arose out of the CODESA negotiations.

Among the reforms was new public service legislation to integrate the new mandate and amalgamate what was a fractured service, as provided for in the Public Service Act (1994). The White Paper on the Transformation of Service Delivery (1995) focused on *Batho Pele* or putting the people first. The White Paper on Public Service Education & Training (1997) sought to review the role of the South African Management Development Institute (SAMDI) and intended to provide practical management training, standardise training in the public service and opened training to the markets, believing that a competitive range of training and education providers has the potential benefit of improved flexibility, quality and cost-effectiveness. The establishment, in 2001, of the Centre for Public Service and Innovation (CPSI) programme was intended to recognise innovations that improve service delivery. Together with these was the embrace of the New Public Management (NPM)²⁸ ethos and practices in the public service, which Levin (2004) criticised as being contrarian to the fundamental tenets of developmental statism and would weaken the state. According to Moleketi (2006), NPM conflicted with the core values of the ANC, that is, democratic and radical, because of its neoliberal ideology.

Notably, there were some concerns about the speed with which the reforms were introduced, suggesting a need for a gradualist approach to ensure learning, considering

²⁷ Ibid

²⁸ New Public Management was coined in the early 1990s by UK and Australian scholars in public administration. They advocated use of business-like approaches in the public service, including decentralisation of resources and public service delivery, and the public was conceptualised as customers. These approaches have been criticised as technicist and managerialist.

the recent divisive history of the country (Butler 2010). Concerns were also highlighted in the Presidential Review Commission (Presidency 1998) that, among others, noted that the rationalisation of the State bore undesirable consequences for the institutional capacity of the state. The Review of the DPSA (DPSA 2000) had also raised a red flag about the rapid changes, highlighting that they underestimated the process and duration of management development and that the changes were weakening the state's capacity and autonomy. Picard (2005) argued that these were weakening the state and rendering it vulnerable. Others were concerned about what was considered as misplaced attention to race and nationalism instead of developing bureaucratic capacities (van Holdt 2010; 2010; Potgieter 2012) to overcome what was thought as dysfunctionality (Southall 2007). Ruiters (2014), however, suggested that opting to use external alternatives given the challenges posed by the system and the gradualist approach to effect transformation of the bureaucracy, reflecting that the democratic state underestimated the strength of the apartheid bureaucracy and its effects. Attempts at improving and professionalising the public service, therefore, as former Minister of Public Service and Administration, Geraldine Fraser-Moleketi noted, had mixed results.²⁹

The professionalisation of the post-apartheid state has continued to be a vexing matter. There was recognition already in 2005, brought on by pressing economic challenges and technical requirements related to service delivery in a country with the challenges of South Africa, that an economic bureaucracy was needed (Fraser-Moleketi 2006). This would shift government from policy orientation needed in 1994 as Fraser-Moleketi noted (Mandela and Langa 2017) to economic planning and implementation. This informed the 2005 Cabinet Lekgotla's intimation that the SAMDI be repurposed with the aim of establishing a public service academy for management training in the public sector which would integrate human resources in the public service (Fraser-Moleketi 2007/08:4; SAMDI 2007/08). The establishment of the Academy was approved by Cabinet in 2006. The SAMDI document references Mbeki's 2007 SONA where he said,

What has emerged, among others, as a critical area for strategic intervention is the content of training that public servants receive in various institutions and the role of the SA Management Development Institute (SAMDI).

²⁹ Geraldine Fraser-Moleketi, former Minister of Public Service and Administration, quoted in Qobo and Ngcaweni (2021).

Among the challenges highlighted, also mentioned in the DPME survey as noted earlier in this thesis, was concern about the prevalence of consultants in carrying out technical work of government. These were attested to by Schoonraad and Radebe's (2007) assessment of the capability within the public sector.

SAMDI later became the Public Administration Leadership and Management Academy (PALAMA) launched on August 1st, 2008, aimed at offering programmes and courses that were relevant and responsive to the developmental focus, in line with the DS shift (PALAMA 2013). The Minister of Public Service and Administration (PALAMA 2010:3) recognised that the task of building DS requires developing technical skills in the bureaucracy. The Public Service Commission (2014) survey, while suggesting that management training was effective for the few who participated in it, recommended a thorough study of the training needs and organisational capacity in the public service. The State has since transformed PALAMA into the National School of Government (NSG). The NSG, as Subban and Vyas-Doorgapersad (2014:506) suggest, "synergise traditional public administration approaches with the new public governance approach". The Public Service Management Bill (RSA 2013) was introduced to reinstate values and principles of public service, to refocus the state on developmentalism. According to Franks (2014), the Bill was an attempt to introduce Weberian principles and management in the public service. As Gordhan (2013) noted, the state was lacking the requisite capacity to meet the enormity and complexity of public service regarding both management and service delivery requirements.

A Capable State

The Batho Pele Revitalisation Strategy (DPSA 2021) approved for operationalisation by Cabinet in March 2022 aims to build State capacity. It is anchored on five interconnected pillars focused on learning; standardisation, monitoring and compliance; consequence management in cases of poor levels of performance and placing citizens at the centre of State service. These are now incorporated into the new Act on the Professionalisation of the Public Service (NSG 2022) which identifies six priority areas of interventions and formalises the positions of heads of department. The intention of these reforms is, among others, to ensure standardisation in the public

service, make centralised training of public servants compulsory and ensure that senior managers in the public service belong to registered professional bodies. These are early steps in bureaucratic training to engender Weberian principles. The challenges remain that of shifting the mindset towards economic thinking and results-oriented actions. Therefore, given the inadequacy of the systems and practices of public management education in South Africa, there is a need for a paradigm shift to cater for both the needs of the country and the type of political and bureaucratic management required (Vyas-Doorgapersad & Simmonds 2009; Kroukamp 2007).

During the Zuma administration most senior civil servants exited the State, including from, among others, key institutions like SARS (Van Loggerenberg 2016); the elite investigation unit, the Scorpions was closed (PMG 2008; Sole 2008); there was the dissolution of PCAS in the Presidency in 2009, politicisation, factionalisation and displacement in the intelligence service (High Panel Report 2018); and most departments, such as the DMRE, had a high vacancy rate for three financial years, with some SMS level posts in acting capacity (PSC 2019). The DMRE continues to underspend due to funded vacancies that are not being filled, as captured in the 2023 MTEF Submission (DMRE 2022). The Department's overall staff complement shows that most of its staff, that is, 1075, fall in the bracket of 1 to 15 years of service, with the majority lacking previous working experience before joining the department (DMRE 2022). Since coming to power, the 6th administration prioritised building an ethical and capable state (Ramaphosa 2019) and ridding the state of politicisation (Ramaphosa 2021), hence the advent in 2022 of the Municipal Systems Amendment Bill barring municipal and other senior managers from holding political office (Newswire 2022).

There is an uneven picture showing pockets of excellence, corruption, and incompetence (Qobo and Ngcaweni 2021). Most senior state bureaucrats are highly qualified (Nxesi 2022), well remunerated and have access to a host of opportunities inside the state system (Ngcaweni 2013) as shown by Intellidex (2020) which suggests that between 2006 and 2018 there have been real increases in wages and in personnel in the public sector, with average remuneration of 44%.

Inter and Intra Department Challenges in Coordination and Implementation

Among the challenges encountered about state bureaucracy are a lack of synergy between various legislation and policies across departments that adversely impact economic investment, for instance, the Treasury's insistence on implementing high carbon tax without considering present economic realities. The tax legislation on carbon emissions, announced in the Minister's budget speech (Mboweni 2021), has created uncertainty in the business sector, in terms of what its financial implications will be (KPMG 2021; Energy Council SA 2022). One of the areas of misalignment is that of how a combination of policies impact each other, for example, macroeconomic policy and infrastructure policy vis-à-vis industrial policy (Davies 2021:96). Internal to the departments themselves are divergences, for example, a clash between policy objectives about transformation aimed at the democratisation and de-racialisation of the economy and those seeking to promote investment and competitiveness in a sector. The DMRE exploration strategy (2020/1) brings these issues into sharp focus. The DMRE's (2021) diagnostic of its organisational challenges supports the above reality. It also highlights that most public servants are first level entry workers, therefore lack prior exposure to work. As Freytag (2011) enunciates, the challenge lies in the lack of an economic mindset in the development of policy.

Inability to implement decisions and the use of consultants are also challenges. The DMRE's (2022) financial performance reports indicate that much of the underspending is caused by lack of implementing projects agreed on, for example, in the case of the DMRE, lack of traction on the petroleum agreements with South Sudan, Saudi Aramco and PetroSA-Rosgeo (PMG 2019) which would have translated into investment in the country. For a country that seeks investment, uncertainties of this nature are highly negative. Investments, as Riedel *et al* (2020) explains, are a critical component for DS and were the main catalyst for growth in China. In the context of bureaucrats that are merely able to initiate action but show limited results, training and development require the shift proposed by Subban and Vyas-Doorgapersad (2014:505), from being action-oriented to being results-oriented.

Plaatjies (2011) argues that the State expanded its mandate to meet challenges brought on by a democratic state. Both Potgieter (2010) and Chipkin (2016) suggest that it was

precisely the expanded mandate that resulted in bureaucratic inefficiency and ineffectiveness, noting that most public servants are not fully equipped for the demands of a constitutional and non-racial public service. Francis *et al* (2021) lamented the fact that bureaucrats face challenges because most policies are abandoned even before their effectiveness can be tested. The NPC (2021) has argued that current bureaucratic structures are rigid and not responsive to immediate national needs and global challenges. Thus, among the imperatives of building the DS the State must construct an agile public sector; develop implementable plans and programmes that espouse ethical conduct and a developmental ethos; and intervene to ensure coordination and implementation capabilities in the state (NPC 2019; 2021).

5.5 CONCLUSION

This chapter provided a perspective of state interventions post-2007, considering leadership issues, types of interventions, challenges in state-society relations, reforms, potential advances and setbacks in a combination of developmental bureaucracy and developmental networks paradigms.

In summary, the challenges, as identified by Mthethwa (2015) in relation to the four attributes are the following: first, in terms of the strategic orientation, the State has not achieved sustained and inclusive growth, coupled with lack of ensuring implementation and monitoring of interventions and the stabilisation of SOEs, among others. Second, on capacity to lead and define a clear national vision, the State lacks the ability to leverage and mobilise society around the existing vision. Third, on organisational capacity, the State lacks the capacity and capability for macro-organisation, confronts immature inter-governmental relations, turf contestations at various levels, and has experienced high turnover of civil servants, resulting in a dearth of institutional memory. Fourth, on technical capacity, there is limited capability required, hence the State's over-reliance on consultancies.

In the next chapter, these factors will be tested against the data collected from the field to assess if they stand up to scrutiny. This will assist in developing an understanding of the challenges facing South Africa to build DS.

This context gives credence to what Tshishonga and de Vries (2011) suggest are assumptions underlying the developmental discourse. First, there is the assumption that countries embarking on a developmental path are at a disadvantage because the market forces preclude their potential for substantial economic growth. Second, the assumption is made that some States in those countries embarking on a developmental path possess the capabilities to overcome the barriers for late developers. The next chapter will examine these assumptions, in the light of the discussions in this chapter, and the four attributes highlighted in the ANC's 2007 S&T.

CHAPTER 6

REAL “SHIFT” OR PIPE DREAM: IDEOLOGY AND LEADERSHIP CHALLENGES IN CONSTRUCTING A DEVELOPMENTAL STATE IN SOUTH AFRICA

6.1 INTRODUCTION

This is the first of the two empirical chapters, and it examines challenges related to leadership and ideology. In DS discourse it is about the purpose of the State, or its specific objectives. In the context of the ANC’s articulation of DS, it assesses the attributes of strategic orientation and leadership. Through the voices of participants, it presents interventions conceived to represent that purpose and their challenges in constructing DS. It presents the leadership context and approaches in the continuum of political leadership before and after 2007, anchored on the ANC as the foundation thereof. It also examines what the state’s ideology is, if it is hegemonic, and if the leadership provides a vision to society thereto. The ideology section predominantly reflects views of Congress Alliance participants, inside and outside the State, and the persistent divergence on the State and the economy.

6.2 THE STATE’S STRATEGIC ORIENTATION

State-ideology nexus is an important feature of DS. The state is not an end in and of itself. Ideology provides it with a purpose, which manifests in state action to transform society.

6.2.1 Roots of a developmental mindset

There are underlying motivations to want to transform society and promote development. Central to the liberation struggle against colonial domination and apartheid racism was a commitment to prosperity and upliftment of the lives of the majority and the society. Before and after South Africa’s independence, the liberation

movement has drawn lessons from examples of societies that had achieved that objective. A former senior Cabinet minister argued,

It was obvious from the experience of the Asian Tigers that lessons could be learned, but the ANC disapproved of their authoritarian style, opting instead for a regulatory democracy consistent with its other policy documents, including African Claims, Freedom Charter, and Ready to Govern. (Interview 20/08/12)

The lessons, as a senior ANC/SACP member and former Cabinet member explained, went beyond the Asian model of developmentalism, that is,

By the late 1990s, and certainly early 2000s, there was a perception that the state needed to play a more effective role to achieve RDP type outcomes. One set of examples would have been the Asian tigers, useful certainly from a left perspective because they bucked the trend of the dominant neoliberal model. The other kind of, quote, unquote, developmental state, was the social democracies, with which (we had) some important similarities, based on social compacts. (Interview 20/09/03)

As the above show, for the ANC, due to South Africa's history of socioeconomic exclusion of the majority, and the strife between the state and social actors, a democratic corporatist model developed around an industrial-social welfare policy intervention, and infrastructure development, would be suitable. Notably, as was the case globally, developmentalism existed in South Africa before 1994. The state, from the Crown through to apartheid, intervened through selective industrial policy and ISI linked to the MEC. A mining industry executive illustrated,

There was quite a big industrial base that had been created, the state was involved in a lot of industrial development, the establishment of Eskom, ISCOR, companies like Sasol and others, and a lot of those were obviously established either to supply the mining sector with products, but also as part of inward-looking industrialization. (Interview 20/08/17)

Against this backdrop, therefore, South Africa's developmentalism draws from the transformational agenda of the liberation movement, the industrialisation experience

of its pre-democratic governments and the inspirational global examples of state-led economic development and growth in developmental regimes, corporatism, and liberalism. This is characteristic of the ANC's embrace of a multiplicity of influences. This also underlines some of the challenges that inhibit effective construction of DS.

6.2.2 Blunting neoliberalism

Immediately after taking power, the post-apartheid State, unlike its predecessors, confronting a changed global environment and the establishment of new global trade institutions. It withdrew from direct intervention in the economy. There was the desire to extricate South Africa from the many years of international isolation, thinking that market related reforms would translate into foreign investment into the domestic economy. Like countries such as Brazil, it de-industrialised instead of investing in domestic industries. As the senior official in the ANC recounted,

We had a three-prong strategy, a social and developmental perspective ... an economic policy with a main focus on stabilization of our macroeconomic policies and then tinkering at the edges on issues of affirmative action and access for black people to the economy ... and ... rapid liberalisation of the South African economy ... allow companies to list outside of the country, liberalize our trade policies even more than what was required from the WTO and that's the start of our de-industrialization. (Interview 20/08/20)

Tampering with the initial radical transformation of society and the economy started during the transition from apartheid to a democratic State. It was influenced by the realisation that the apartheid administration had been bankrupt, making the push for transformation difficult. In addition, formal and informal relations, leading to economic coalitions between some in the apartheid State, and capital, with the ANC were emerging. A senior ANC/SACP and former Cabinet member explained,

There was a letter, which was a secret letter written by the TEC to the IMF, saying, we need assistance with our balance of payments, but we promise that a future democratic government ... would implement labour market flexibility, trade liberalization, capital liberalisation, among the things. (Interview 20/09/03)

Although embracing the ideation of perfect markets coupled with an absent state from the economy, there was still the motivation to transform society, resulting in the argument that although state-led developmentalism was no longer the core, alternative approaches could still be pursued, which a senior member of the ANC's NEC explained,

In everything that government was trying to do since 1994 there was an attempt; maybe subliminal, to construct a developmental state. (Interview 20/08/12).

In the early years, therefore, realising societal transformation was geared towards investment in social policy and favourable labour market policies. This approach was in line with the social democracy corporatist model that had influenced the ANC and seemed relevant given the South African context of a deliberately marginalised majority. However, despite concerted investment in the human capabilities and the adoption of a macroeconomic policy framework to stabilise the dire economic situation, the State was still unable to meet its intention of bringing about a society fundamentally different to the one that prevailed under apartheid, largely because of its absenteeism from the economy. Besides, South Africa's economy was too small to drive a huge social policy investment without support from critical economic investment. This was articulated by a COSATU respondent who contended that,

When you look to the different character of the developmental state ... the element of being the universal access to health, to comprehensive social security, to some element of decent work, and to some element of education, you can go back and say, yeah, in these areas, we have done so well... But the real issue is that the state is still lacking is its intervention in the economy. (Interview 20/09/23)

Supportive of the above, a member the ANC NEC noted,

How do we change the economic foundation of apartheid, apart from the focus on macroeconomic stability, which came in with GEAR... Unless we focus on the economy as well, we are not going to be able to sustain our programme of meeting basic needs. (Interview 20/08/20)

Notable in this regard, South Africa's developmental focus on social policy and labour market policy interventions differed from the East Asian models that suppressed social actors and ignored social policy and inequality issues but prioritised the economy. GEAR too, interestingly, overlooked microeconomic issues. Nevertheless, in the environment of contestation, a former senior Cabinet minister argued how it was the governing party's response to the economic environment, that is,

Part of what happened in 1996 is, we knew why we had to adopt GEAR. The agreement struck, concluded at the 50th conference in 1997, in Mahikeng, the resolution talks about what economics is about, and it says the basic policies of the ANC to be found in the reconstruction development programme. GEAR is a macro economic framework and a means to attain the implementation of the RDP ... there's no contradiction between the two, notwithstanding that people in the party and people in COSATU refused to accept that resolution of the ANC ... if you pulled out GEAR again, you'd see that the focus was largely on macroeconomics. It didn't deal sufficiently with microeconomics, which would include more details of labour markets, of employment policy, of industrial policy. (Interview 20/09/29)

Critically, although policymakers demonstrated ability to adapt to the changed global and economic environment, their interventions were inadequate in addressing the priority challenges and the imperatives of economic development. What begins to emerge are the differences – later acrimonious - within the governing alliance about what the appropriate policy interventions were, with one perspective being state-led and the other market-based. Herein lies the schism, with characterisations such as the 1996 class project that would overlay the developmental theory and practice going forward.

- ***Govern Markets***

The inability to find a common approach between these strands in the alliance reflected in the understanding of the role of the State in controlling and managing the economy, both the fiscal and monetary tools, something critical to developmentalism. Like other mechanisms to restrict the State's role in the economy that were an outcome of South Africa's political settlement, was the delinking of socioeconomic priorities from the

mandate of the Central Bank, limiting it to inflation targeting and financial stability, right at the point of constitution making. A senior ANC/SACP and former Cabinet member explained,

One of the few inputs that the Party made into the constitution making process was around the Reserve Bank, [saying], you need a Reserve Bank that is operationally independent [because] you don't want politicians manipulating ... the interest rate. So, operational independence yes but not strategic independence. [Therefore] the instruments to develop an effective developmental state kind of slipped out of our hands from quite early on, [and] the crafting of the constitutional understanding of the Reserve Bank would be another feature [of that]. (Interview 20/09/03)

This notion of an independent Central Bank was also supported by a business consultant, saying,

You can have a governing independence but at its core, it must still be aligned to the country's vision. So, you can have a set of governors who understand what the country's policies are and where we're going to, and the way they're going to cover monetary policy will fit within that. (Interview 20/08/27)

The economic analyst argued for a link between the mandate of the Central Bank and economic development, illustrating how crucial its intervention was in boosting the economy during the mid-2000s. He noted,

In 2002, the economy improved, and it put in the little employment of 2 million. It shows that ... the Reserve Bank... cut interest rates quite a lot. And there was a little bit of spending in terms of government consumption, investment spending, and state-owned companies. (Interview 20/08/26)

These views resonate with the experiences of Japan and the United States of America, where the Central Bank is independent yet with a mandate on issues related to employment. As shown previously, Singapore controlled the banking sector with the introduction of the State's own bank. South Korea took control of the entire banking sector, Japan was a mixed model, and China uses a law to direct commercial banks to invest in developmental programmes.

The weakness of a Reserve Bank committed only to price stability showed during the Covid-19 period when, for a long time, it declined to implement quantitative easing to cushion the economy. It has also procrastinated in providing the Post Bank with a full banking licence. The Bank tends to perceive such interventions as State interference instead of understanding them within the ambit of economic development. This demonstrates that DS ideology does not permeate the State. It also reflects the failure of the post-2007 leadership to place in these institutions personnel that would support the new policy trajectory, while mindful of not engaging in monetary adventurism that could be detrimental, such as the financial crisis in Latin America and Asia.

Management and control of the economy encompasses State participation in the financial sector through its own financial instruments, like a state-owned bank and DFIs. These act as countervailing forces to the commercial sector to advance developmental programmes. Governing markets is a central feature of the ideology of DS's economic logic. It is in this context that a senior SACP member argued that South Africa should have done the same in the financial sector,

You can't have a developmental state that doesn't own its developmental banks or public banks. You need a service or a multitude of sectoral banks, to be the foundation upon which the government implements its developmental ideas.
(Interview 20/07/22)

South Africa, like Japan, opted for a mixed economy model. But the challenge in South Africa is not the absence of such instruments but their inefficiencies. One former senior state official articulated the point,

We have an IDC, which is responsible for industrial lending, we have a DBSA, we have a Land Bank, or we had a Land Bank until it went bankrupt. We have a small business development agency. So, what do we need a state bank for? (Interview 20/08/07)

Inefficiency extends to risk aversion of the DFIs, thus there is minimalist support of selected industries, coupled with constraints placed on their ability to borrow finance by Treasury. The economic policy advisor explained,

The IDC, which is most likely to take the risk, is that they cannot go to the markets directly... there is some rule that says development finance institutions must go via some intermediaries... (so) if you like, it's a double cost because it is not from a primary source. (Interview 22/01/17)

Two aspects for consideration arise here. First, is the belief in market allocation. Second, the regulatory mindset that made development secondary. These debates demonstrate that although the State has had financial tools of its own to support the developmental agenda, these have not been utilised effectively towards that end. Instead, they remain subjected to the logic of markets consistent with the pre-2007 neoliberal ideology that is incompatible with the period thereafter but was not changed. This indicates the challenge of disjuncture between ideology and practice, illustrated in later sections too.

Summary: the above highlights an ideological shift representing a break in the development trajectory between the pre and the post-apartheid governments. It asserts that the global dominance of the neoliberal ideology, bolstered by domestic economic factors, had considerable influence on the South African State. Investment in human capabilities had negligible success due to lack of management and control of the economic instruments.

6.2.3 Return of the state?

- *The underlying motivation*

The South African economy began shifting away from early post-apartheid bankruptcy towards growth due to macroeconomic policy stability and positive contributions in the mining sector, as the business academic suggested, “*We had some tailwinds in terms of commodity pricing and have seen huge growth.*” (Interview 20/08/25). Growth, however, reflected the challenge of GNP-ism, that is, high performance in growth instruments not commensurate with improved human development, as elaborated by the economic policy advisor,

There was this concern that whereas the economic growth was registering very healthy numbers, economic development indicators of the nation were not

moving parallel to [it], meaning that development was behind growth.
(Interview 22/01/17)

Coupled with GNP-ism, the structure of the economy had not transformed as attempts at economic diversity and inclusion left key pillars of the economy unscathed. The senior academic expanded,

Other strategies failed in terms of economic development, in terms of in enabling, allowing for the establishment of a black business class, a black bourgeoisie, shifting of economic power from those who are currently in power in a more democratic direction. It comes from a frustration with the failure of BEE, to the low rate of growth. (Interview 20/08/06)

The South African State attempted black participation and inclusion in the economy mainly through equity, especially in mining, along the Malaysian model. Due to its elitist focus, and being limited to the politically connected, like that seen in some of the third generation developing nations in Asia, it was narrow. A small minority of the new political elite was absorbed into the ambit of white capital, affirming the intention of the BEE model to create a bourgeoisie class. It affirmed the economic coalitions that emerged as part of the post-apartheid settlement. Importantly, it represented a shallow conception of trickle-down economics, thinking that a tiny wealthy enclave will erode the poverty around it. Overall, it was a flawed advocacy for a Procrustean bed of development policy devoid of the country's context and experience of the majority. Therefore, it inhibited real developmentalism.

- ***A Shift or Not?***

The above environment buoyed those in the alliance who were opposed to GEAR and related interventions to advocate for radical change. These were the ideological undertones leading to and post the 2007 national conference of the ANC. Confirming this, a senior State official characterised it as,

The left wing of government were trying to, ideologically and practically, move away from what they characterized as the 1996 class project, which they characterize as the neo-liberal growth path. (Interview 20/08/17)

The proposed shift, therefore, was deliberately political and ideological in content and aspiration. However, two participants linked to the governing alliance interpret the shift differently. One perceives it as a change of emphasis in a continuum, influenced by certain factors in the evolution of the state. This view was articulated by one senior member of the ANC's NEC,

There are 2 dynamics that influenced [a] shift of emphasis, [with the] 10-year review in 2004 the question arose, what more needs to be done to attain that rate of growth so that we could reduce unemployment more decisively?
(Interview 20/08/12)

Another view suggests that it was not a shift in emphasis but rather a clear departure away from what prevailed in policy until 2007, because of deliberately advocating for direct and greater State involvement in the economy. This was according to a senior academic, who noted,

A marked change takes place in the ANC resolution in [the] 2007 Conference... giving the state a bigger and leading role in the economy. (Interview 20/08/06)

Indeed, direct State involvement in the economy is a critical feature of DS, which gives credence to this argument considering views of perfect markets in the previous sections. Inherent in that kind of ideological shift, countries intent on developmentalism have developed clear strategies and economic policies to navigate the different domestic and global currents. Notably, as the post-Polokwane administration was taking over, global and domestic economic conditions changed due to the GFC. The growth trajectory that had buoyed the country until then waned. According to one respondent, a new set of fiscal pressures impacted the State's ability to drive its developmentalism, as explained,

After the Polokwane conference ... there was massive budget pressure on the system. And that must have been very disappointing for all the forces that were coming into government for the first time. In the sense, [the previous administration] got to do the popular things, got to expand the social grants, [and] got to deliver. But then you come into office and now we are cutting spending, and there's no space for new projects. (Interview 20/08/07)

Confronted by these types of challenges, the different post-apartheid administrations have nonetheless lacked the ability to shape a guiding economic strategy, resulting in the existence of multiple parallel approaches. One respondent demonstrated,

In 1996, you had three economic plans...all happening in parallel with each other. So, the lack of coordination in economic policy in government goes back a long way. (Interview 20/08/06)

This highlights the challenge of the lack of a single-minded focus, as the State is pulled in different directions. A focused economic policy serves as the mainstay strategic intervention for economic development that is flexible and adaptable to changing national and global environments, as was the case in the East Asian model. Fundamentally, as emphasised by one respondent, it provides the *raison d'être* of the State, that is,

You [must] have a different understanding of what is the role of the state and economic development [meaning] we must look at the economic policy. (Interview 22/01/12.

The new administration after 2009, with its state-led development, introduced an interventionist economic policy framework known as the NGP. This would synergise policy instruments and implementation, industrialise through potential growth sectors like the green economy, and invest in infrastructure, with employment creation as the priority. What did the new policy entail, to signify the shift to statism? The new policy shift embraced different types of interventions to transform the economy. In the different models of DS, the use of SOEs as countervailing power to market forces was effectively applied. The South African State between 1994 and 2007 had been minimalist in using SOEs. The new policy envisaged a model like those of East Asia and France. One respondent attested that,

The developmental state is giving the state a bigger and leading role in the economy, and that state owned enterprises would play a role and new state-owned enterprises might be established ... not that state-owned enterprises weren't involved before. But it was a significant shift in the understanding of what a developmental state was. So, a developmental state came to mean

government leadership, and SOEs playing a very big role in the plans.
(Interview 20/08/06)

While direct State intervention represented a significant and welcome shift compared to the previous period, it also carried a significant challenge in the interpretation and practice of an overbearing State. This characterised most of what the State would do after 2007, thinking statism was a panacea and thus, unwittingly, weakening participation of other social forces, specifically capital. It also – whether wittingly or unwittingly – provided an avenue for parasitic clientelist tendencies. Although State intervention is necessary, too much State intervention can be detrimental.

SOEs like the Post Office were envisaged to play a larger role in the financial sector, in reaching out to the marginalised and rural communities to ensure their ability to save. This approach resonates with the East Asian DS of postal services used for saving, which provided the State with financial muscle. Apartheid developmentalism tried similar experiments. Developing the savings and banking component of the Post Office for access to the poor would enable the delivery of social services, as one trade unionist argued,

The Post Office, if you linked it to a Post Bank, which targets low income, rural pensioners, etc., [and] linked it to other government services for rural areas or registered distribution points. (Interview 20/09/14)

SOEs would deliver public goods, another form of intervention in DS. The State, when performing this function, can enter public-private partnerships to leverage capabilities in the private sector for developmentalism. This was a view shared by one executive leader of a business association, arguing that,

A developmental state should have the responsibility to manage state-owned entities, particularly in social priorities, for instance, a passenger transport or passenger transport network, ...and some of the municipal bus services. Some parts of the railway network that could be run by the private sector, the state should enable the private sector to do that. That sort of a mindset means the ability to partner with the private sector, the ability to collaborate with the

private sector, and the ability to utilize and maximize the resources and capacity from the private sector. (Interview 20/09/10)

Close partnership between the State and private capital is a key component of developmentalism, wherein efficiencies found in business can be utilised in support of developmental goals. The State uses capital to implement its agenda for public good. This is one of the major challenges in South Africa's developmentalism, because as the State was intervening in the economy there was minimal inclusion of the private sector, especially in areas of public goods, which manifest in the weaknesses around the collapse of economic infrastructure, like transport, rail, and ports. Leaving private investment out has stunted the growth potential of these sectors and their possible value add to exports and movement of goods domestically. Notwithstanding, the State should interact in a manner that avoids capture.

It is notable that earlier when the Zuma administration took the reins, SOEs were entrusted with the developmental mandate which included assisting with industrialisation. This was the focus of the post-2007 build programme in energy and rail. According to some of the participants, SOEs were enthusiastic because, for example, Eskom embarked on localisation, organisational learning and R&D, technology upgrade, and meeting global commitments on issues of climate change. A former senior manager elaborated,

Eskom at that stage was going to retrofit power stations that had electrostatic precipitators on to clean the air [and it] procured [the IP]. The engineer says, now we can do research and identify the capacity in this country. If we only manufacture small compressors and the plant requires a big compressor for the specific airflow, then we can specify two or three small compressors to still give us the same airflow, the compressors can be manufactured locally. This guy appreciated that driving industrialization has a technical benefit and operational benefit for the organization. (Interview 22/01/06).

Another Eskom participant explained how, at the back of the build programme, there was a drive for skills development. She highlighted,

When the new build project that is Kusile and Medupi kicked off, [in] every transaction that Eskom would engage in, we would negotiate some kind of training programme to ensure that there was a transfer of skills or capacity building in certain specialized areas. (Interview 22/01/04)

This example shows the State's ability, through an SOE, to innovate and contribute to domestic manufacturing capacity. These were seeds of the development of infant industries and technology transfer, an aspect of dependent development, also the link between work and skills acquisition. The challenge, as highlighted here, is that an entrepreneurial State, central to DS, is unachievable where there is the lack of a developmental mindset.

The use of SOEs also exposed existing limitations. Added to the challenge of a plethora of SOEs without clear mandates, these entities lacked proper governance and operational management structures. Therefore, entities lacked vision, controls, understanding of risks and their role in the economy, key attributes in other DS, resulting in their inability to help construct DS. To illustrate this weakness an NPC Commissioner highlighted that the public electricity utility had been without a proper board since 2018, which was only appointed in 2022,

In three years, you don't have a CA as your CFO...you don't have a proper board in Eskom, which we don't. Stable leadership...you don't sort PRASA out and have proper leadership...Similar story with Transnet...all the key entities. (Interview 20/08/11)

Another challenge that adversely impacted SOE effectiveness was state capture and corruption. Most importantly, this occurred more when entities were directed to invest in the developmental agenda. Until now, SOEs were financially self-sustainable because the pre-2007 administration had maintained disciplined oversight over them. But the entities were underutilised. A former Cabinet minister explained the effects of corruption,

The state-owned enterprises, Eskom, Transnet, SAA, Denel operated off the strength of their own balance sheets. There were no transfers into them. Similarly, we required the IDC, DBSA, to run off their strength and balance

sheets. We only allowed DBSA some injection to deal with building up capacity at local government level. Now, if you look at the destruction of the State-Owned Enterprise, you look at the scale of theft. You look at the scale of corruption because that has knock-on effects. (Interview 20/09/29)

The emergence of corruption confirms the threat it poses to developmentalism, whereupon elements within and without the State could usurp it in the battle for available resources. It is, therefore, a folly to assume that having a developmentalist ethos mechanically leads to ethical conduct. As one participant succinctly explained,

There's a contestation for resources, where a predatory elite has seen this as an opportunity to supplant the developmental goals with their own agendas. And there's been a convergence around the developmental state and the concept of corruption, and corrupt actors that have seized on it, that have used the rhetoric of development (and) are doing quite the opposite. (Interview 20/07/20)

Corruption, as a manifestation of patrimonial tendencies, corrodes the developmental ideology. It creates a predatory state. This is exacerbated where leadership and institutional attributes lack, as expressed by the participants. Global DS examples have shown that leadership and institutional capacity mitigate corrosion from corruption. The Commissioner attested that despite high levels of corruption, developmentalism can be engendered through strong capacity in the personnel and the structures. She clarified that,

Vietnam is a very successful country, but it's rated as one of the most corrupt in the world. Malaysia, hugely corrupt. Similarly, China, there's loads of corruption. But they've invested heavily in people institutions, leadership. I'm not saying corruption is good, it's terrible. But you can deliver. (Interview 20/08/11)

South Africa had no industrial policy until 2007. Earlier consent to the new global trade regime at Uruguay saw domestic industries decline, further weakened by privatisation in the early 2000s. Influenced by market liberalisation the State had

considered the idea of selective industries but saw this as tantamount to State interference. As a former senior state official noted,

The Treasury stood in the way of the Asian style developmental state in the 1990s. It was very frustrating [when] trying to push for more commitment to developmental processes... the people in the Treasury would say things like, you can't pick winners, and ... the market will allocate investment. (Interview 20/08/06)

The same respondent added that, despite the Treasury, the DTI conducted industrial research in various sectors assisted by foreign funding,

[with] the Japanese grant fund, ... we hired people to ... help us do research on how to stimulate Small Business exports. (Interview 20/08/06)

The global anti-industrial policy sentiment that crept into South Africa's outlook meant the State overlooked the extensive institutional capacity and infrastructure for industrialisation left behind by the Crown and the apartheid governments. This resulted in lack of development in the domestic productive capacity, specifically infant industries that would struggle against global competition, as well as the inability to use existing capacity for mass labour absorption. South Africa's experience, therefore, contrasts with that of East Asia. It deviates to Brazil's use of State resources, for example, its aerospace industry, despite privatisation. It also fell short of the corporatist models because it lacked economic interventions into social policy and favourable labour policies.

Global DS examples show how industrial policy, through selective industries and potential growth sectors, was utilised to stimulate the economy and ensure mass employment and education. Countries started from a low base to high value products through, among others, manufacturing. In East Asia, including during the pre-1994 South African industrialisation period, employment was aligned to the education profile of society. Since post-apartheid, the State shied away from any of these. The economic analyst explained,

You can't talk about the developmental states without talking about industrial policy,... the transition of the structure of your economy, from agriculture, to

industry, to services... textiles and light industry, labour-absorbing, labour-intensive, and ...move up the value chain in terms of upgrading the population... when they start off people are not educated, so you must do certain things [with] the workforce that you have, not the workforce that you wish you had. I used to listen to... push call centres, yet our people could not speak English with an accent. This was in 2003/4 DTI. (Interview 22/01/12)

This also recognises, as in East Asia, the evolutionary phases in production, from low-level jobs to complex activities. This has not been the case in South Africa, resulting in a lack of mass employment.

Aware of the failure of BEE to grow the industrial base, the emphasis moved to creating industrialists. These would be new entrants, and simultaneously deracialise the economy, a point made by a senior member in the alliance,

The black industrialist programme is saying, let's seek to promote those who, in theory, at least, have got some track record of capacity of creating jobs, of doing things the way in which we empower, [it] must [be] through a developmental path and not through BEE shareholding. (Interview 20/09/03)

The weakness of the programme is that unlike in Brazil or East Asia, it has not followed a selective sectors model, thereby lacking effectiveness to impact growth potential industrial sectors, contributing to weaknesses in developing manufacturing and production, including employment creation.

To be effective, industrial policy must align with other policy instruments, which the NGP envisaged. In South Korea, industrial and competition policies were complementary. Despite some progress, South Africa's approach is yet to enable such industrialisation. The economic policy advisor explained,

The IDC started to make money available, but not at a scale large enough that would enable those black entrepreneurs to gain access to good technology that exists elsewhere, original value chains and global value chains. And then at the same time, there was no clear connection between the work of the IDC and the work of the Competition Commission. (Interview 22/01/17)

The above also shows the challenge posed by lack of investment in industrialisation.

Ironically, and simultaneously, the NGP identified the green economy as a potential sector for growth to attract private sector investment in electricity generation where the State had a monopoly. A senior official in the SOEs articulated how the introduction of the renewable energy programme by the State, with bank guarantees, impacted positively in the energy generation space,

IPPs were then introduced... as a way of transforming the economy [because] nobody was willing to invest... Back in 2010 ...the technology was new [and] renewable technologies were very expensive. In around 2011, your PV plants were sitting at about three Rand per kilowatt hour. And today, you saw with Round Five, the same PV plant is coming in at about 30 odd cents per kilowatt hour, [that is] 10 times cheaper. (Interview 22/01/13).

The IPP programme presents an example of an attempt by the State to use a sector of potential growth, untapped by private capital, to stimulate the economy and develop a new industry by directing capital investment. It also shows the ability of the State to leverage an opportunity of the global imperatives to invest in the domestic market with the aim of improving local production, manufacturing capacity and competitiveness. Also, although not well thought through and articulated, the project operates along the lines of developmental networks. The challenge with the programme, however, is that it is largely a political industrialisation approach, with the State providing guarantees to commercial banks. It has not created manufacturing capacity in the renewable energy sector.

The challenge is that, while the State develops these programmes for new entrants into the productive economy, its protectionist interventions tend to protect large players, thereby consolidating their monopoly. This was highlighted by a senior member in the media,

Do you need a local chicken industry, which happens to be dominated by three big players? The state in that instance gets captured by a few large chicken players. (Interview 20/08/17)

Regarding social welfare policy and infrastructure development, together they are key to enabling developmentalism. Social welfare has seen substantial investment from the State since the advent of democratic governance. The downside has been the substantial decline of investment in social and economic infrastructure. This reflects an imbalance between consumption and investment, which weakens developmentalism. This is the challenge highlighted by the commissioner that the State was not funding its policies on infrastructure, arguing that,

If we're going to stimulate the economy through construction, but we're dramatically underspending on our budgets, even before COVID, the first thing to ask is, we all agreed we wanted to do it, nobody's fighting that they don't want to do infrastructure. Why doesn't it happen? (Interview 20/08/11)

In this context, as the economic advisor intimated, there is an inability to exploit opportunities that prevail at regional level,

If you look at it from the budget point of view, the state does spend a significant amount of money on social services. However, the element of the state, which is entrepreneurial, meaning that taking advantage of new possibilities like the Africa continental free trade area, that space of the state, which is meant to roll out infrastructure deal with water challenges, potholes, road infrastructure, electricity, is struggling. (Interview 22/01/17)

Infrastructure development is a key catalyst for economic development. It holds the potential for significant employment and industrialisation. This was evident in post-apartheid South Africa when the State adopted an expansionary policy outlook, investing in areas of infrastructure to boost the economy. The economic analyst outlined the correlation between infrastructure and jobs,

From 2004 to 2008, during the boom years, ... I think there are other drivers that cause the growth of the economy. Number one was the end of GEAR... government started spending [on] infrastructure...and once you look at the data...it clearly shows we created 3.1 million jobs, the unemployment rate came down. (Interview 22/01/12)

The result of lack of investment in economic infrastructure was palpable in large industries, for example mining, that consume energy and require rail and ports for import and export of product. Economic productivity fell, as the mining industry executive elaborated,

There was a decline in productivity, and there wasn't a growth rate. That was because of Eskom load shedding, it was because of the lack of capacity on rail.
(Interview 20/08/19)

A critical weaknesses of DS construction in South Africa is that the domestic market and manufacturing sector lose competitiveness, with exports failing to leverage existing global opportunities. Rising administrative costs adversely impact industry as well as the potential of the economy to create employment. Overall, GDP and consumer confidence drop.

Summary: at ideation and policy levels the state is committed to developmentalism. There are challenges in the practice. First, there seems to be a lack of clarity on the purpose of the State. The policy interventions, both pre- and post-2007, point to issue-based solutions instead of creating a developmental statehood. Linked to this is the state's lack of ability to adapt to the global realities and their manifestation in the national environment. Underlying the challenge is the void created by the lack of an overarching strategy to guide the State at different moments of crisis, whether global financial crisis or Covid-19.

Second, the inability to arrest the ideological fissures in the governing alliance post-Polokwane meant that the new policy approach would be contested in State structures. This showed when the NGP was given to a new ministry, not Treasury, and the latter resisted. The new policy shifts thus failed to find acceptance and expression in the fiscal and monetary policies. A senior State official attested,

... [the policy programmes of the NGP] were never pursued from a budgeting and planning perspective. Because it characterized the policy struggle within the governing party. (Interview 20/08/17)

Although the ideological pitch has lowered, not disappeared, since Polokwane and during the Zuma administration, ideologies inform the budgeting and planning in the State. State capture and corruption have provided a convenient narrative, inside and outside the governing alliance, to avoid this central contestation about the role of fiscal and monetary instruments to support DS policy. This is a key ideological weakness of the post-2007 administrations because it cannot support its developmental policy. Advocacy for an interventionist approach has weakened, and almost dissipated since the divisions in the progressive trade union movement, which was its champion.

Third, the South African State is consumption-driven instead of investment-conscious. Therefore, it is unable to support its own developmental agenda given the lack of economic resources.

Fourth, there was a lack of policy alignment throughout to ensure that various instruments support and enhance the new approach of State involvement, including what State intervention and use of SOEs would imply.

6.3 WHAT IS LEADERSHIP IN THE STATE?

Ideology on its own is insufficient to realise the developmental agenda. A committed and decisive leadership with a vision that permeates society is thus necessary. Business, government, ANC and civil society interviewees were critical of the post-2007 leadership

Various ANC Presidents have provided different styles of leadership to the State and the party. Given the organisation's traditional culture of collective leadership, the idea of an authoritative leader has been shunned. Most presidents have endeavoured to be perceived as seniors in a collegiate. This was affirmed by a senior member of the ANC's NEC, noting that,

There is a bit of reticence on the part of the presidency; I would say even historically, to play that role. (Interview 20/08/12)

Reflecting on the post-apartheid presidencies and their impact on the State, participants commented on Mbeki, Zuma and Ramaphosa. Mbeki's leadership was perceived to be stately and technical, Zuma's leadership was inclined towards party and other interests, and Ramaphosa's leadership was considered indecisive and consultative. One business executive illustrated as follows,

During that [second presidency] the centre was Union Buildings in the presidency, [that is] you're accountable there. It had a vision, a very clear strategy. Then we've got the [fifth] administration, chaos. The sixth administration, which is the current president, is much more committed to social cohesion and partnership rather than taking very difficult and challenging decisions. (Interview 20/08/25)

This suggests that post-2007 the country's direction is less clear, despite interventions. Both administrations in the post-2007 periods have, however, approached the exercise of authority differently. The Zuma presidency, due to its outlook, resulted in state capture, whereas Ramaphosa's presidency exhibits an inability to exert authority either way thus creating space for lobbies and plurality of views. This was argued strongly by one respondent,

There's so many competing interests, which the previous administration balanced in the one direction, and this administration is just not willing to arbitrate between [them]. (Interview 20/08/17)

Zuma's leadership was considered as being evident and felt. However, it lacked a grasp of technical issues and detail. In this context, a former member of cabinet argued that the Zuma presidency was decisive, and he was regarded as a leader among equals, despite a lack of focus on detail. He explained,

The president...at least for the first few years, lent his authority...he didn't pay much attention but lent his authority. (Interview 20/09/03)

The expectation in contemporary politics and governance is that leaders should be erudite and attentive – not necessarily experts – to offer direction to the State. Such attributes enable the leader to have a perspective beyond the immediate. This has been

a serious weakness in the post-2007 administrations, which reflects in their ineffectiveness to impose coordination and implementation across the State.

Indecisiveness on the part of the Ramaphosa presidency, as one senior business leader suggested, stems from the incumbent not having gained a decisive majority at the party's elective conference – unlike his predecessors – thereby lacking the full backing of the party. He argued,

The president because he looks over the shoulder all the time at what's happening in the ANC doesn't have the confidence to actually lead and marshal his cabinet. (Interview 20/09/10)

The latter comment should be understood in the light of the removal of Mbeki, by the ANC, as State president. This precedence created a perception that the party holds too powerful a sway over its incumbents. Central to this reality is what vexes the ANC and its leadership, namely finding the correct balance between the leadership of party and State, which contributes to debates about centres of power. This challenge reflects in instability in the State and, potentially, weakens the ability of the incumbent – when weak – to rein in deviant elements or when individual ministers have a strong base in the party or are popular.

Competing interests and views have led to fragmentation at the centre of the collective authority of the State, contributing to a lack of a united collective led by the president. A senior State official decried the dysfunctionality:

So, the cabinet is now like an NEC meeting. There's no accountability, it can't lead. It's just people making speeches. (Interview 22/01/11)

The challenge of the lack of cohesion is most expressed in the economic cluster. For the new administration this was the critical area expected to be the core leadership of DS policy agenda. It lacked a collective and single-minded focus as suggested by a senior State official:

Your Treasury, your DTI, your economic development...the economic cluster [should] at least, [have]...common purpose. [If they were] working together

and taking things forward, there would be...leveraging or traction on some of the propositions. (Interview 20/08/17)

As discussed, the immediate post-Polokwane cabinet was beset by turf wars, which manifested even between ministries assumed to share ideological leanings, if not the same faction. The leader of the SACP highlighted how this affected even members of the Party who were ministers, whose conflicts served to undermine economic planning. He pointed out that,

State planning, Economic Development Ministry and DTI, almost competing...DTI almost taking a strategic role as the economics ministry [instead of]) the actual ministry that is the Economic Development Ministry. (Interview 20/07/22)

In another case of those who came from the same ideological leaning, a former senior state official observed how the thinking that had been in the Treasury since the advent of democracy was entrenched, because the change of the political personnel did not translate into a change of practice on the economic policy front. He remarked,

We hoped when [the new minister of finance] came into government, there would have been close cooperation in working together with DTI and the economic development. So, there'll be a lot more of collegiality that will develop, but it seemed as if Treasury continued a different path. (Interview 20/08/07)

Therefore, the new economic policy ethos and direction did not permeate throughout the ministries. A state official attested that it was left to the specific line ministry to deal with, noting,

Maybe [the responsible minister] took it seriously, but I don't think anyone else did. (Interview 22/01/11)

Added to the fragmentation was the ideological rifts that arose out of the Polokwane experience which filtered into the State, from ministries to departments. The chasm was most clear between the perceived factions, that is, neoliberal versus radical transformation. The NGP was a casualty of the rifts. One respondent outlined that,

The NGP could have been part of the economic side of the NDP if we'd been able to achieve that. But the problem was partly that [the ministers] couldn't get on at all ... there were some differences, ideologically, also personal issues between them. (Interview 20/08/06)

The broader energy debacle, specifically the electricity disaster that has negatively affected the economy due to regular power outages reflects fragmentation, ministerial intransigence, and lack of a central authority in the form of the president. In line with these observations, a senior business executive explained how failure to decide was itself a decision, adversely affecting departments and policymaking. She intimated,

And then you have deficiencies in the department in terms of the capability to make tough choices. You know, leadership is about choices that are in the best interest of the company irrespective of the consequences. At times when we are not making these decisions, we think we are not making a decision, but any inaction is a decision on its own. (Interview 20/10/23)

The above reality is what is usually referred to as policy uncertainty, a climate that inhibits both state action and economic investment, which is common in the South African State. Studies in leadership, also discussed in this research, reveal that decision-making and bold decisions is a feature that defines leaders who advance their societies.

Agreeing, another business leader observed how the pulling apart stalled state action,

There's no movement until you've got consensus...even when you've got consensus, you've got another minister who's got a different view. (Interview 20/08/25)

Overall, there is lack of leadership at the centre of the State and, after Zuma, no central authority to pull government together in the same direction.

Leadership and Mandates

Exercise of leadership is akin to the analogy of the spider and its web. Important in DS is enabling lower structures to act freely and with confidence, knowing they have the mandate of the political elite. There should be a seamless flow from the top to the bottom. Seniority among equals, exercise of authority and command of technical issues constitute leadership, are key to statecraft. Prior to 2007, the Presidency was the locus of power, providing vision and unity of purpose between the political elite and bureaucracy. Given the characteristics of the political leadership that assumed power afterwards, there has been demonstrable fragmentation. A former senior state official demonstrated how authority and cohesion prevailed before 2007 and began to fracture in the period thereafter,

Cabinet makgotla in [the second administration, included] all the ministers, deputy ministers, DGS, premiers, few mayors, quite a few of the President's staff, including PCAS. There would be two or three days of reflection on policy and implementation that would lead to decisions. When [4th President] took over, the first meeting was similar... then he decided he was only going to have ministers, not even deputy ministers, certainly not DGs. (Interview 20/08/06)

Experiences of DS emphasise the importance of interpersonal closeness, which also enable information sharing and cohesion, an interconnectedness from political decisions, to policymaking, and ultimately implementation. Where these elements are missing, coherence lacks, as the State advisor suggests,

The role of the Ministers, the DGs and the DDGs becomes so important because if they are not coherent themselves, they cannot create a coherent department. (Interview 21/12/13)

Coherence requires that regular and rigorous interactions should occur between political heads and bureaucrats, to ensure accountability, mandates, and bureaucratic implementation. A former senior cabinet member suggested that the practice ceased after 2007,

and some departments when I left the meeting(s) stopped. If you call the Statistician-General and asked him when last they met with a Minister, don't be surprised if [it] was in 2014. How do you know what's happening in StatsSA? How do you plan and strategize if you don't have statistics? And how

do you expect StatsSA to carry forward their plans, if you're not there to support them, to back them every step of the way? (Interview 20/09/03)

The above comments indicated that bureaucrats lack a clear sense of their mandate, may be ignorant of their responsibility, and are uncertain in their actions, resulting in an unclear set of priorities, strategic focus, policymaking, and execution. A common developmental mindset is not promoted.

Political Will

A critical question is whether the post-2007 leadership possesses the political will to do developmentalism? Political will is important for the leadership to see through its agenda. According to a senior member of the ANC's NEC, political will exists at ideological level, also in policy commitments, but lacks in practice,

I would call it ideological as well as policy commitment to build a developmental state. But when it comes to political will, which would relate to the capacity and willingness to implement, that is a major challenge arising in part because I think after 2009 people seemed merely to be going through the motions. (Interview 20/08/12)

For the government expert, political will was mired in neo-patrimonial tendencies expressed in corruption throughout state structures. He noted that,

There is some political will. But obviously we've allowed ... a particular culture ... which is comprador, to predominate. (Interview 20/08/28)

Therefore, political will is exercised to serve narrow interests of the political elite. While Zuma's administration is linked to state capture that weakened the State, that of Ramaphosa is characterised by absenteeism and closeness to myriad lobbies.

Summary: ideologically, the pre-Polokwane economic thinking continues to hold sway at the core of policy implementation and in the State. There is also a chasm between ideological orientation and policy commitments vis-à-vis understanding of realising them. The consequence is that developmentalism remains at the level of pronouncements. This is affirmed by one respondent,

It was adopted as a concept...then it was presumed that...it therefore means that everyone will just implement it as they see fit. (Interview 20/08/01)

The Polokwane factional rifts had direct negative effects on the leadership and, logically, the State. However, the post-2007 administrations have lacked the courage to exercise their authority to pull them together for the benefit of constructing the State. The role played by the ANC, especially its removal of Mbeki, has unwittingly left successive presidents with uncertainty. But ANC presidents have shown decisiveness, exerted their authority, before and after Polokwane. This links with the discussion about China, that revolutionary parties like the ANC confront a delicate balance between the exercise of authority and the maintenance of party unity. Leaders should function as the central authority, both in the party and in the State. They must pull together the different ideological persuasions that constitute the party to ensure a common vision and purpose. This is critical in the State if it is to deliver on its pronounced policy mandate.

In the pronounced DS policy, the core political elite post-2007 has been too divided for it to implement a common developmental mandate. This has been compounded by two types of presidencies, one lacking technical acumen to provide that type of leadership to the complexity of State, and another that has avoided decision-making at every turn. Society, however, expects it to lead, as enunciated by one respondent who argued that,

The state needs to lead and shape our way through this development pathway. (Interview 20/07/20)

Presently, South Africa's developmentalism reflects a 'tail wagging the dog', given that it is the various agendas and powerful social partners that are driving discourse, in some cases away from the DS one.

6.4 ANC LEADS?

The party in government, entrusted with the legitimacy to govern by the populace, is the source of leadership in the State. In its early years, the ANC's reference point of legitimacy to lead South African society was its leadership of the national liberation struggle that overthrew apartheid rule.

From a Liberation Movement to a Governing Party

The primary challenge for the ANC, from the onset of assuming state power through to the post-Polokwane period, has been its lack of capacity and capability to run a government. This is attested to by two senior ANC leaders, both former Cabinet members. The ANC claim of readiness to govern was more a political slogan than realism, as highlighted by a senior member in the alliance and former Cabinet member. He noted,

The ANC has this document Ready to Govern. But the honest answer is that we were not particularly ready at all. (Interview 20/09/03)

The above is attested to by the initial errors the party made when it came to power. For instance, in the process of rapidly transforming the State it collapsed some working capacities. In part, the liberation movement did not know what government is and what it was to do. A senior ANC leader, also former Cabinet member, noted that,

In the liberation movement, there was clarity about taking on the apartheid regime than how to build a state... the objectives may have been fuzzy. (Interview 20/09/29)

The post-apartheid context, coupled with almost thirty years of being in power, imposes the duty of being a government. The challenge is that being a liberation movement, the original *raison d'être* for legitimacy to govern is utilised to mitigate against its weaknesses in governance. The liberation movement appeal also offers an easy cover to societal demand for accountability. A senior ANC leader, also former Cabinet member, explained,

We want to be called the liberation movement, but the responsibility of governance is actually a big responsibility. (Interview 20/08/12)

Governing assumes not only leading but managing the processes and systems related thereto to deliver on the total transformation of society. Continuous reference to its liberation movement character is characteristic of the ANC's present lack of ability to adapt to the new environment post-liberation, which imposes a different set of challenges in a fast-paced, pluralistic and democratic society in a complex global environment. These realities transcend the relatively neatly defined concepts of us and them.

In a post-USSR environment, amidst ideological rifts following years of GEAR, the ANC needed an alternative development path to unite all its strands. The motif of unity, that is, of the party and the people, motivates the search. The construction of DS fits into this perspective, which is what a former senior state official explained, in that,

It allowed [the ANC] to avoid the interminable debates about socialism, capitalism and market that strains, and social democracy [because] it unites people behind the common programme, behind a vision of the state that different groups can buy into. (Interview 20/08/07)

The shift to DS is, therefore, conceived as redefinition of legitimacy post-1994, considering the elusive democratic dividend, and the divisions confronting the party.

Not Designed for DS

The ANC's challenge when adopting DS, in addition to the above reality, was that its organisational design does not reflect the new tasks. The organisation had not internalised the implications of constructing DS. A senior member of the ANC's NEC explained this gap between reality and the ideology and policy intentions,

One can say that the capacity of the ANC to lead the process towards the establishment of a developmental state, because I believe we do not have one yet, would also be reflected in the documents on organisational renewal... We are not structured as a party to do that because if you wanted to build a developmental state you would need to be more professional than we are currently. (Interview 20/08/12)

The challenges manifest in the operational capabilities. During the Covid-19 pandemic, the ANC government announced a stimulus package to mitigate against the effects on the poor, the marginalised, and the economy. However, due to the dearth of technical capacity in the NEC, its highest decision-making body, to monitor and evaluate the package, it could not guide the state's intervention or propose corrective measures. A senior ANC official noted,

[the state] announced a 500 billion programme [but] nobody can tell you, I mean, as the ANC ... say that we have spent X amount, that this has been the impact three months later. And this is how we need to improve it. (Interview 20/08/20)

Other two senior ANC members decried the organisation's inability to rely on information derived from empirical research to inform its decision-making. Former member of the NEC and Cabinet advocated for a change of the party's policy and operational structural design, that is,

The ANC's own model must change. You see, because what you can't do in an NEC is to debate detailed policy, when you don't have a single data set in front of you. (Interview 20/09/29)

Modern and modernising organisations, including their leadership, are generally learning organisations. Added to academic and experiential learning is exposure to leadership and management roles in different environments and institutions. Most ANC leaders in the most senior structures lack such experiences that empower a person in executive authority. To illustrate this point, one respondent contrasted the leadership of the ANC and of the CCP in China, intimating that,

If you're going to compare the Politburo to Congress and argue that the Politburo has shown you how they are involved in everything, talk about the capacity and capability of the Politburo versus us. You're comparing [what we have] to an organization where almost every member of the Politburo is probably a PhD that is either in sociology, economics or engineering. Two, most of those members have probably had to run some sort of institution or other. It might be a city. (Interview 20/08/27)

DS assumes the existence of complex structures and sophisticated capabilities. This includes, among others, reliance on researched enquiry – something that is not considered seriously in the organisation even when undertaken by some of its own units.

Leadership of society

Whereas in China the CCP is disinterested, Botswana's BNP cultivated relations with ranchers. Rwanda and Ethiopia bear similarity with East Asia. The ANC has struggled in its relationships to key social partners to support the developmental agenda. The financial sector, its strength and its coalitions with the new political elite has developed a love-hate affair. Nine participants, from government and business, intimated that the Zuma years were anti-capital, almost indiscriminate. One business executive explained,

Some of us, as black as we are, we've been called white monopoly capital.
(Interview 20/10/23)

On the other hand, there are features of entrepreneurial embeddedness encountered. A former state official argued,

We have this extremely large and powerful financial sector, and I haven't seen any serious attempt to think about the consequences of that, whether we want to reverse that because a very large section of the leadership of the ANC is embedded in that sector, including the President. (Interview 22/01/11)

Other relations are with organised labour and civil society, allies of the ANC since the liberation struggle. This exhibits a feature of fragmented embeddedness. A senior state official explained that,

The trade union movement is one of the constituencies of the governing party, the ANC. Therefore, it cannot be seen to be running roughshod over some of the demands of the labour movement, which is what has gotten us to where we are with the runaway national debt. (Interview 20/08/17)

Herein South Africa differs with Singapore where the party disciplined labour, its liberation struggle ally. In both examples above, the party lacks autonomy, which spills over into the State.

Challenged to Reform

At the international level, parties that succeeded in consolidating their legitimacy have reformed, to improve governance and to ensure economic development and growth. This is the challenge before the ANC, hence the talk of renewal that preceded the 2022 national conference, as explained by a senior member of the NEC,

[At the] Mangaung conference [in] 2012, for the first time the ANC says its leadership and cadreship should have 3 attributes. The first one is political acumen, just understanding the political and policy environment, the second one would be matters to do with ethics and the third one would be educational attainment. (Interview 20/08/12)

The challenge is the lack of implementation at the party level, which arises from limited qualitative capacity and skill for it to translate its resolutions into concrete plans for implementation, monitoring, and evaluation.

This research has alluded to the party-state relationship challenge that the ANC faces, a key factor in governance, and more so in liberal democracies like South Africa. In considering the example of China, the leadership of Deng Xiaoping provides an exemplar of how a revolutionary party should reform both the State and the party in the context of development and leadership of society. For the ANC to succeed in emulating such examples, as one respondent argued, it needs a longitudinal but concerted effort at transformation, considering that, unlike China, the South African State is relatively young. He intimated,

Maybe it's still coming, a balance that says okay, what is the role of politics and representative institutions of politics on the one hand, and what is the role of the state on the other hand. (Interview 22/01/11)

Summary: the ANC nonetheless continues to enjoy broad mass support in society. It has leaders in its ranks. The advantage is that its developmental ideology is hegemonic in society. As one respondent noted,

ANC's views are quite hegemonic. You've already seen that infiltrate even into the opposition parties both on the left and right of the ANC, there's sort of a consensus around need for redress, and need for an active government role.
(Interview 20/07/20)

The challenge is in the translation of this perspective into a leadership of society. At present, the ANC is unable to lead. To do so it should deliberately invest in its own development and learning to overcome its internal capacity and capability deficiencies that overrun into the State. It should furthermore develop knowledge and experience of statecraft.

6.5 IS DEVELOPMENTALISM A HEGEMONIC PROJECT?

Twenty-eight participants agreed that developmentalism was accepted throughout society. The differences were in its interpretation and emphasis.

Consensus and Meanings

Developmentalism is integral to the liberation movement. It is enshrined in the constitution to realise transformation. This was articulated by a member of civil society that,

The desire for a developmental state is already embedded in the constitution. There was a view that the state would have to play an active role through policy and legislation, as well as through economic levers to advance. (Interview 20/07/20)

While the constitution contains the desire for developmentalism, it does not specify how it should be carried out by the State. This makes the State vulnerable to litigation, due to non-alignment between its developmental goals and the interests of groups in society.

Nevertheless, hegemony of the developmental project permeates society. Investment in capabilities is one type of intervention in developmentalism. A senior business executive explained the importance of empowering people by enhancing human capabilities and creating opportunities for individual freedoms for citizens to advance themselves,

The first biggest part is around the income disparities... that gap of economic empowerment. I'm not talking about it in terms of the way we understand empowerment, but it's really to say, unless you're economically empowered, to make choices and to be active in the society, to be healthy, it is very challenging to have an effective society. (Interview 20/10/23)

Another respondent defined developmentalism as investment in public and economic infrastructure, explaining that,

We mean development that is based on a comprehensive programme to have access to clean running water, electrification programme, telecommunications, roads, transportation, and agricultural development for food security. (Interview 20/07/22)

A respondent from the trade unions emphasised a combination of social welfare with favourable labour market policy, resonant with the corporatist models, noting that,

Universal access to health, to comprehensive social security, decent work, and education. (Interview 20/09/23)

Although there is broad consensus on the developmental project, and sufficient understanding of the concept and how it should be advanced, the challenge is to translate these into concrete common implementation within the society.

Apart from non-alignment with society on the use of the law for developmentalism, the State has tended to overemphasise regulation, thus making developmentalism secondary. A state official demonstrated how mining regulation mediates between unequal players instead of forcing change. She argued,

With the MPRDA, we did not give it support. We [only] promulgated it. [For example] when you apply for [a mining] right, I treat you like any other applicant. (Interview 20/08/11)

State officials, in their work, are oriented towards a regulatory framework, as one respondent articulated,

I worked at the Department of Transport as an advisor for two years. And the ideology there is that we are a regulatory state. Now, a regulatory state is different from a developmental state. (Interview 20/08/26)

A respondent highlighted this challenge, noting that though there may be broader understanding of the need for development, the State lacks the targeted focus on economic development, hence the lack of traction with the transformation agenda:

I would say there's a very high degree of commonality of purpose, that we need growth and development however you choose to define development. I do wonder sometimes on government side whether growth is the priority because there's so many overlaying priorities. A good developmental state is very clear about what it wants to achieve. Whereas our state is very not clear about what it wants to achieve. (Interview 20/08/17)

Summary: developmentalism is ingrained in the fabric of South African society and buttressed in law. The response of some groups in society to a regulatory environment is like what pertains in liberal democracies. This presents a challenge for a developing country like South Africa. Constitutional clarity is necessary to drive change. Furthermore, the State should, internally, develop a developmental mindset if DS is to succeed beyond broad consensus.

6.6 VISION AND/OR PLAN?

Being visionary is an important trait of leadership, having foresight of where it intends to lead society. It is the ability to see the future even when others might not, thereby translating the ideology into a tangible concept embraced by others as their own. This serves to legitimate the leadership in the eyes of the society.

The development of the NDP as a guiding document legitimated the ANC. A member of the SACP reiterated this view, accrediting the Zuma presidency for exercising such leadership,

To the extent that it was a society-wide plan, that it brought in all people from all walks of life, it was an important document that allowed the movement, the strategic leadership of society. If you like, perhaps one of [the President's] greatest successes was that plan, because it accorded him the legitimacy to lead government and society. (Interview 20/07/22)

With the NDP, the South African State acted in concert with most states embarking on a developmental path, which developed visions. This was also a characteristic of early independent states in Africa as they sought to implement state-led development.

Ownership Challenge: NDP Not Like the RDP

Despite the approval it received when it was unveiled, it immediately faced hurdles. The first challenge related to its formulation and consultation processes. For the NPC commissioner the process was consultative and inclusive of broader society, hence her strong argument that,

There was a deep engagement process. The final draft was put out in 2012, [it] went to Parliament, [was] discussed by all parties separately. [It was also discussed] in the provinces, in the unions. It wasn't just the thing of rubber stamping something in a conference. (Interview 20/08/11)

It was, however, important that the plan is owned by the governing alliance, as the leadership responsible to drive and engender it in society. This was lacking, as three alliance participants argued. A senior ANC official argued that the NDP was not consulted and engaged in the same way as the RDP:

The question is really whether there was real consensus around the National Development Plan in the sort of robust way that we had around the RDP. The National Planning Commission, no doubt, can produce lots of evidence about how they consulted, but in the ANC that consultation about the National Development Plan was not as robust as it should have been. [For instance] the

National Development Plan was never presented to the NEC. (Interview 20/08/20)

The view that it was imposed on the ANC and its alliance partners was echoed by a leader in the SACP, also intimating that it was only accepted because it provides vision for the country. He noted that,

It was imposed on the ruling party. It was never debated inside the movement, except to arrive at Mangaung Conference and it is presented for adoption as a working document of the movement. (Interview 20/07/22)

Some in the alliance had misgivings about its authors because they were associated with the Treasury. This embroiled it in the ideological polemics in the governing alliance. The economic policy advisor explained,

The Secretariat were actually the team that came from Treasury, and then the consultants that were hired to write the document were also traditionally consultants, who had worked with the National Treasury. (Interview 22/01/17)

This situation illustrates why the NDP failed to gain traction inside the governing alliance. It lacked the collective consensus of the RDP. It became tainted with the “failed” neoliberal agenda because of the Treasury link resulting in open internal criticism of the NDP. Some distancing themselves from it. Hence, its lukewarm support in the ANC, contributing to a dichotomy between those who lead but do not support the NDP and the society that embraced it. Consequently, although there is reference to the NDP, it is less effective and palpable in practical terms.

A Vision Not a Plan

A challenge linked to its implementers is that there is a lack of consensus whether it is a vision or a plan. One respondent conceded that it is a vision, but also more than that, “*It’s much more than a vision.*” (Interview 20/08/11) and was supported by another respondent who argued that,

It is a plan with targets for 2030 in various specific needs chapters. (Interview 20/08/12).

One senior state official emphasised its visionary aspect as a long-term roadmap, observing that,

[It] was a starting point, beginning to say that let's take a long-term view... that says we want to get here. (Interview 22/01/11)

The view of it being a vision, not a plan, resonated with other three participants. A senior state official, advocating for planning as in the East Asian model and the French model, argued that the NDP fell short of being a plan because it lacked specific timeframes and resource allocation to activities and targets,

That's not a plan. A plan has got timeframes, is about responsibilities and resources. None of this applies to what we call the NDP. (Interview 20/08/17)

A civil society member agreed with this view, suggesting that the NDP and related plans lacked the technical aspects that define what a plan is. He noted that,

All these plans that we have. I have never seen the project plan. We don't do projects. We don't do project planning. (Interview 20/08/27)

Two other participants also located the challenge of the NDP within planning. One respondent highlighted the lack of a focal point in terms of the development agenda. She elucidated,

You must really define what it is in your particular instance, as South Africa, [that] is essential for you to do in order to develop your society. (Interview 21/12/13)

A senior state official characterised the challenge as that of a State that is not disinterested, that wants to do everything to satisfy all the different needs in society. Therefore, planning suffers, an essential element to doing DS, as there is lack of prioritisation. He elaborated,

Prioritisation is key to planning, is key to organising the state. But because we have this tendency of wanting to please everyone and anyone, we don't have the bravery to prioritise, because we think we'll offend someone. (Interview 20/08/17)

Therefore, as the member of the Presidential Advisory Council highlighted, the NDP, being a vision, needed a mechanism to translate it into an implementation plan,

The NDP is probably one document which tries to really be focused in designing a vision for the country but obviously somebody then has to unpack that, convert that into something that's implementable. (Interview 21/12/13)

The above comments reaffirm previous discussions about developmental plans in DS, which included identification of interventions in industries, a phased implementation cycle and the allocation of resources. Plans that lacked these elements became unsuccessful, as evidenced with plans in post-independence Africa more generally. The NDP, while it provides a vision and targets, is without resource allocation and the responsible agency to implement it across the State.

Ideology and Ideologies

A real challenge regards the content of the NDP. Does it seek to advance the ethos of developmentalism adopted in Polokwane? Are the Left mere spoilers? This transcends political rhetoric, to attempt to delve into why terminology was nebulous, for example, a “capable developmental state”. There was, in addition, the surreptitious insertion of the term ‘developmental’.

To one leader of the SACP, the NDP was largely driven from a narrow economic perspective thrust in the pre-Polokwane policy orientation. He intimated,

It was driven largely by the economic section, for instance, by neoliberal economic outlook, it forgot that we are an economy in a developing country. It sought to reassert market economic system or deepen capitalist economy in our country. (Interview 20/07/22)

A former member of the ANC’s NEC, however, contested that the NDP was holistic, sought to move the State in one direction to respond to a range of challenges. He argued,

The NDP is more than the economics. The third chapter deals with the economy and employment, the fourth chapter deals with economic infrastructure. Then you get into environmental sustainability, inclusive rural economy, South

Africa, in the region, in the world, transforming human settlements, improving education, training, innovation, healthcare, social protection, community safety, capable and developmental state, fighting corruption, and nation building and social cohesion. The NDP requires all those things, but it requires government to be accountable for the implementation. (Interview 20/09/29)

A senior leader in the governing alliance suggested, however, that although there were references to DS, the drafters did not mean the same thing as those who sought greater State involvement in economic development and societal transformation. He articulated,

I think those of us on what we might describe as the left in some general way, what we would mean by a capable state, a state with capacity would be a developmental state... that's not necessarily the case across the board, There's the whole chapter in the National Development Plan, focused on a capable state. And I think occasionally it throws in the word developmental, but clearly the focus was on capability rather than developmental. (Interview 20/09/03)

Concerns about how reference to developmentalism and its tenets are applied glibly created mistrust in how the document was crafted. They rendered it less credible even among those in the alliance who were willing to support it. An otherwise positive contribution to establish consensus around the construction of DS became a good but ineffective document. Its challenges, in a contested environment, underscore consequences that arise when the path forward is not sufficiently negotiated. Then all the opposing perspectives are included in the conceptualisation and drafting of such fundamental documents.

Summary: these factors create a difficulty in establishing DS. First, it would be difficult to popularise the NDP, ensure it is the glue to society, when its initiators did not wholly own it from the start. Second, are the ideological issues related to the binary politics of liberal or socialist. Third, although the document sets targets, it has too many priorities, is too broad, is without cascading actions and phases, and priorities are without resource allocation. One participant explained the weakness of the NDP from a concrete planning perspective,

I don't think we are sure even what the direction means. But importantly, if you take the national development plan, do you know we complain about how massive that thing is, and it's everything. (Interview 20/08/27)

6.7 CONCLUSION

At ideation and policy, the State is committed to developmentalism. The challenges that have been highlighted illustrate the importance of a focused, steadfast and decisive leadership to ensure those around it stay the course. The leadership post-2007 has been distracted. The Presidency has been caught up with its own interests and lobbies that overtly or subtly derail the developmental project. This sharply contrasts with how the pre-2007 leadership engendered its neoliberal agenda throughout the State.

The ANC does not lead. Its authority on and in the State has not been adequately developed. This is complicated by the capacity and capability weaknesses of the party, which contributes to lack of accountability and guidance on State policy. Individual interests, even beyond ideological differences, thrive to subvert developmental objectives and programmes.

The ideological differences alienate society. They create dysfunctionality in the State. The opportunity to invest in developing and defining statecraft is lost. They weaken the vision upon which DS should be founded. They inhibit the development of a flexible strategy to address national and international challenges in the construction of DS. The neoliberal framework has, nonetheless, continued to prevail post-2007.

The NDP was birthed in a poisoned environment. The challenges in the governing party, linked to planning, weakened its potential in a society where there exists broad consensus on the developmental agenda.

CHAPTER 7

A CAPACITATED AND CAPABLE STATE: STRUCTURE, BUREAUCRACY AND EMBEDDED AUTONOMY CONSTRAINTS

7.1 INTRODUCTION

This is the second of the empirical chapters. It focuses on bureaucracy, state structures and state-society relations. It deals with challenges linked to organisational capability and technical capacity or the capacity of the State to coordinate and implement policy on a state-wide level. As discussed in Chapter 3, the institutional capacity of the State is central to establishing DS. Important is the design of the State to do things. Therefore, roles and responsibilities internal to itself and in its interaction with various networks in society, in order to exert its influence and advance the developmental agenda.

7.2 STATE-WIDE COORDINATION, PLANNING AND POLICY INTEGRATION

7.2.1 Conflicting Motivations: from functionality to dysfunctionality

The ANC government, even prior to Polokwane, was motivated by the intention to professionalise. Underscoring that intention was the need to create a professional State with state-wide coordination capability. The DS conference resolution elevated integration and coordination of the work of government. This is explained by a senior member of the ANC NEC,

There are 2 dynamics that influenced that shift of emphasis...The second element pertained to the work that was being done in DPSA about professionalism of the public service as well as the challenge of coordination and integration. (Interview 20/08/12)

The assumption is that the State possesses within it the requisite capacity, in terms of people, that are ready and willing to provide and to integrate the work of government. These critical attributes of DS are asserted by one participant who said,

There are two fundamental things that are required for really being a developmental state. The first is the capacity of the people who want to do things, they have got to have the ability to do this thing. The second is they've got to plan ... the developmental state is coordination. (Interview 20/08/27)

Although recognition of these attributes existed and was reaffirmed, the challenge has always been realising them, especially in the context of building DS.

Prior to Polokwane, Mbeki's leadership centralised key policy areas in the President's office. His opponents, before and after Polokwane, resented this centralisation. They argued that The Presidency was too strong and had given too much power to bureaucrats. As a senior state official explained,

[The second President] created strong structures within the presidency with a view of driving economic policy [and] social policy... [But] what was the battle cry of Polokwane 2007? [The second President] is trying to centralize. (Interview 20/08/17)

The above view reflects the vexed issue of centres of power, the party and State, inside the ANC and the Congress Alliance. Consequently, argued another senior official, the Polokwane agenda aimed to weaken the State and shift power from within government to the party, as he elaborated,

The state was beginning to function under [the second President] ... I think it's important to remember that the agenda that the left had in the ANC, the progressive agenda within the ANC, [was] to shift authority out of the state and into political structures outside of the state, combined with the agenda of national macro reorganisation. (Interview 20/08/07)

Decentralising the State, which was counter to the Polokwane resolution, led to disintegration in the key structures that supported The Presidency and cabinet. This reflected where ministers and directors-general participate to ensure guidance to the functioning of the State. The former state official detailed the chaos,

Integration and coordination were undermined, that is why you ended up over the 10 years from 2009 with all the structures of coordination in place, FOSAD

coordinated them, and I think now from the cabinet secretary's office, the DG in the presidency rather than the policy unit. The clusters still being there, cabinet committees and so on but still over the past 10 years we have had one of the most extreme manifestations of fiefdoms. (Interview 20/08/12)

The state became compartmentalised with individual ministries and their departments assuming authority, thereby removing synergy in programmes. The state advisor explained how this manifested throughout the state,

You have fragmentation as opposed to coherent programmes. If you want an effective developmental state, you need people that think less in their own silos, that can connect dots across the system and see the opportunities for synergies and coordination. But the leadership needs to encourage that they need to think that way themselves. (Interview 21/12/13)

Therefore, rather than develop strong accountability and symbiotic structures to carry out the developmental tasks, power went to individual ministers. One former senior official explained,

That agenda of just dividing departments and creating new ministerial positions was convenient, because it massively expanded the size of cabinet and it created a framework in which it multiplied the fiefdoms that could then be subject to political control in the state. (Interview 20/08/07)

One respondent, however, suggested that the decisions were not always thoroughly considered. For example, when the DED was created, its role and relationship to others, especially Treasury, were not clearly defined, as he explained,

When the President and his cabinet decided, and the NEC, on this department, they did not think through the actual elements [it] will run with, and the fact that most of them are being controlled by the most powerful treasury you have. (Interview 22/01/17)

The legislative and constitutional dispensations in South Africa, in contrast to development regimes and authoritarian DS, if not aligned from the onset, affects envisaged policy implementation, indicating the need for harmonisation at inception.

Institutional capacity was weakened in important areas that should buttress developmentalism, for example, revenue services that is critical to funding public programmes, and law enforcement. A member of civil society observed this anomaly as the ANC pronounced the establishment of DS,

It is a tragic irony that since the developmental state was made policy, there's been almost a systematic process of taking the state to pieces, eroding institutions, running down the competence of the state, driving people out of the civil service if they were too strong and independent; institutions like the law enforcement institutions, the South African Revenue Service [and] government departments as well. (Interview 20/08/17)

The above reveals the contradiction of the post-Polokwane environment, considering that institutional capacity is a critical variable to successful DS. The state continues to struggle with a capacity deficit due to a high turnover post-2007. Capacity weaknesses in the security apparatus, both law enforcement and intelligence, were exposed during the 2021 July riots.

7.2.2 From PCAS to the National Planning Commission

Developmental states created pilot agencies for state-wide coordination, planning and implementation. Centralised coordination was a casualty of the post-2007 administration. When dissolving PCAS, the Zuma administration retained its other functions except coordination. The former senior state official outlined,

The planning dimension undertaken by the policy unit was taken care of. The monitoring and evaluation unit also being undertaken by policy unit was taken care of. But the C in the PCAS: policy coordination was not taken care of when the policy unit was dissolved. (Interview 20/08/27)

PCAS had been a critical pilot agency-like unit in The Presidency whose power permeated the State, thus able to ensure implementation throughout. One of the SACP leaders explained the influence of PCAS,

That was a massive instrument in the Presidency, which was trying to assist proper execution of government plans and programmes. (Interview 20/07/22)

The unit had begun to integrate the work of government, creating synergy between departments, also budget planning and policy goals. As the former senior state official explained,

You need a kind of flow in the strategizing, policymaking, and resource allocation processes led primarily by the presidency, working with national treasury ... The policy unit started envisaging long term planning [of] government, for instance a memo cannot come to cabinet before it is processed in the presidency, [and] the unit [would] check whether it aligns with other policy decisions. (Interview 20/08/27)

Like other such units throughout DS, it was populated by very senior state officials close to and trusted by the President, was insulated, and acted with authority across government. It was unencumbered by departmental bureaucratic processes. This was affirmed by another senior state official who described its senior standing,

PCAS led [and] was [constituted by] seniors. It carried political weight and all that kind of stuff. (Interview 22/01/11)

However, the dissolution of PCAS not only created a vacuum in the centre of the State but eroded its ability to coordinate, do central planning, ensure synergy in policy, and implement across the State. Evidently, beginning to emerge under the Mbeki administration, led by PCAS, was a developmental bureaucracy. The Polokwane shifts influenced by ideological and personal differences – deprived the State of this critical capacity that would have aided the construction of DS post-2007. Arguments about the 1996 class project, rather than statecraft, triumphed.

Is the NPC an adequate vehicle?

The state established the NPC to oversee the NDP. Contrary to global and South African DS examples, the State opted for a model of independent experts, collaborating with the Minister of Planning in The Presidency. This deviated from previously mooted options. According to the former senior state official, the original concept envisaged that planning would be at the core, with the NPC operating in like manner to PCAS. He explained,

The transition into the new administration in 2009 was in part informed by work that was done by the policy unit. The conceptual approach until the matter went to the new president this would be made up of people in government, the leaders of various clusters in government are what you can call the central departments like presidency, national treasury, DPSA and others, COGTA now, maybe international relations and intelligence that those would be then; and DTI, would then constitute that planning structure ... to engage in long term planning. (Interview 20/08/27)

A senior state official supported this view, suggesting that the thinking was resonant with the East Asian and French models, as he recalled,

We discussed this thing in FOSAD while [the second democratic President] was still president. It was thought that it's important that we get a strong national planning board. (Interview 20/08/17)

The Commissioner agreed that a super cabinet would drive developmentalism,

[The President] wanted it that way. It's surprising ... Originally there was an idea of having a council of ministers. (Interview 20/08/11)

The senior member of the ANC NEC, supportive of the President's decision, argued along the logic of party unity, explaining that,

[The President], in a sense, might have been right. His argument was [that] if you did that you might end up with a situation [in] which the people who are dominant in the discussions both in the ANC and in cabinet will have their ideas carry the day. (Interview 20/08/27)

The President's situation was complicated by the polarised climate arising from Polokwane. Although an external body relieved the State from party dynamics, it was an incalculable error that weakened centralised planning, an important feature of DS. It also failed to consolidate the work of PCAS. This was further complicated by the decision to appoint to the position of the minister of planning, someone associated with the side that had lost at the Polokwane conference. Being true to party cohesion and unity, even changing the role and function of the ministry, the President conceded, as the senior state official clarified,

There was an almost open war within cabinet and in the ruling party, that what the President was trying to do was to turn [that] Minister into a de facto Prime Minister, making other ministers report to him. Then he retreated and gave him a funny name, a Minister in The Presidency for the National Planning Commission. (Interview 20/08/17)

As another participant noted, the victors in Polokwane had wanted their own candidate, with their perspective, to be appointed but were left dejected,

When [the minister of the NPC] was appointed, everybody just lost interest because that's not what [they] had in mind. (Interview 20/08/26)

These were the post-Polokwane power politics in the alliance and the State.

Regarding the Green Paper, the NPC would be a non-statutory, non-permanent entity. Unlike MITI in Japan, developmental boards in South Korea, Taiwan and the French Commissariat, it lacked authority to enforce implementation. The senior state official explained that,

National Planning Commission has got no teeth. It makes suggestions. It's not a planning board like in Korea. It's not MITI in Japan. (Interview 20/08/17)

The resultant challenge was, first, the gap created between knowledge and understanding of the NDP and its implementation in the State. A weakness was that individuals close to the NDP were external to the State and the minister who led it was

not retained in government after 2014. The former senior cabinet member highlighted this flaw,

A fatal flaw [was] that the drafters of the NDP, with the notable exception of the Minister then, were not in government. (Interview 20/09/29)

Firstly, State officials who lacked the understanding were entrusted with its translation into action. A former commissioner highlighted the inherent weaknesses of such an approach,

After the 2014 elections our NPC tried to assist the relevant structures in the presidency, the NPC secretariat and the department of monitoring and evaluation... Many of the things that we had assisted them with and many of the catalytic proposals did find expression into the drafts that went to the cabinet Lekgotla [but] some of the critical proposals were jettisoned. (Interview 20/08/27)

Secondly, with members dispersed across the country, it has not always worked in an integrated manner. This was hampered further by lack of financial and technical support. The commissioner characterised it thus,

We had been operating completely as silos, initially ... We just don't have the technical capacity [(even though] on paper it's there, [that is], a budget, [and] staff complement. (Interview 20/08/11)

Thirdly, a critical weakness was lack of alignment between planning and budgeting. The commissioner advocated that the NPC should participate in the budget process before it is finalised, even suggesting a legislation thereto. She explained,

We do need planning legislation that lines up and where there's consequence for not lining up. The planning commission should be looking at the MTSF and having the capacity to reflect on whether it is in line with the NDP objectives. (Interview 20/08/11)

The Botswana example demonstrates how the State ensured disciplined spending in line with the national plan, as well as close working together between the Presidency and the Treasury in the planning and execution. South Africa's challenge, however, is

that the budget process is cyclical, not on a year-on-year basis that strictly follows the developmental goals set in the NDP. According to a senior state official this not only affects planning and resource allocation but inhibits developmentalism. He illustrates,

Budgeting in South Africa is not zero based. Treasury plans in terms of three-year cycle of medium-term expenditure framework. It looks at what have you been receiving in the past so many years, with some little look at what you are doing, and then it says we'll increase the budget annually by 5%, or something like that. (Interview 20/08/17)

In essence, this resembles basic accounting and not developmental resource allocation. As in the authoritarian developmental states, the implementing agency must be unequivocal in seeking to quantify progress, as articulated by a member of the diplomatic corps,

A government machinery that focuses on transforming socially, politically, and economically clear strategies, [is] clear about who is in the driving seat, driving what and how can that be measured. (Interview 20/08/05)

The fourth challenge related to the leadership gravitas of the NPC. Gradually, the NPC was assigned to any minister in The Presidency without consideration of their standing in cabinet or the governing party or being a confidant of the President. The commissioner proposed that,

You need somebody who is respected who has that entrée into cabinet and government. (Interview 20/08/11)

Four participants agreed that the president's presence and authority, as in East Asia, needed to be exerted on the agency for it to be effective. The senior member of the ANC NEC elaborated,

Our ability to ensure that there is proper translation of NDP ideals into plans and programmes for clusters and departments requires a presidency that acts as that pilot agency, with the capacity, legitimacy, and the leverage to ensure that everyone plays ball. (Interview 20/08/27)

Considering earlier views about how the Ramaphosa presidency approaches the leadership of the State, it is difficult to see how this could happen. This is borne out by what one state official suggested was the President's consideration about the NPC,

The President's thinking was that perhaps we were not going to get another Planning Commission. But we've got...because we have eight more years to the plan. (Interview 22/01/18)

Implicitly the Ramaphosa administration does not see the relevance or value of the NPC. It has merely complied rather than undertake a thorough review as conceptualised in the Green Paper.

Summary: planning and related structures are critical ingredients of DS. They provide focus and implementation that can be monitored and evaluated. The dissolution of PCAS and externalisation of the NPC have inhibited DS by removing central planning in the State. The lacuna led to lack of a disciplined execution of the NDP and linking priorities with resource allocation. The lack of leadership with gravitas, trusted by the President, to marshal the State, to act as a bridge with external experts, set the structure up for failure. This unwittingly created a perception that the NPC is insignificant. Similarly, not providing the NPC with financial and human resources added to that perception. These factors made it vulnerable inside a hostile ideological climate, rendering it ineffective.

7.3 DEVELOPING A CAPABLE STATE

Of importance in constructing DS is the development of a highly qualified and skilled civil service. Developing a capable bureaucracy that is transformational has been uppermost and challenging, since the start of democratic government. The post-apartheid State has been able to recruit qualified individuals, as a government official observed,

The current public service is better qualified than the historical [past] public service. There's a lot of qualified people in the upper echelons of public service, ...in terms of masters', honours degrees. (Interview 20/08/28)

Training, however, unlike in East Asia, is from disparate private institutions not aligned to the orientation of the State.

An additional challenge is the politicisation of the bureaucracy, because of the history of South Africa and due to abandonment of the selection process done through the Public Service Commission. In the context of the post-2007 administration where there was political control of the State, recommendations in the NDP on developing a capable state were not always followed. A member of the ANC's NEC elucidates,

The process of appointing DGs should be undertaken with the assistance of the PSC, the public service commission, where a structure would do the processing and the interviews and then recommend say three people to a relevant minister rather than the current situation where a minister chooses friends who are ministers to be on the panel to choose DGs. (Interview 20/08/12)

Thus, especially post-2007, they have been aligned to the factions. A business executive demonstrated how this created instability in the state, that is,

Our current bureaucracy is so politicized, every minister changes the DG and the DDG, because those guys are political appointees. (Interview 20/08/25)

Consequently, at the apex of the State, there was often lack of appointing meritocratic personnel that possess Weberian attributes, people able to adapt within a highly regulated environment like South Africa's. Coupled with a mindset that is not developmental they were unable to help construct DS. A leader of the SACP showed how these inadequacies translated into inefficiency and ineffectiveness,

Sometimes the cadreship that you have at higher level, the DDGs and the DGs and particularly the DGs, have been so weak, that they've been incapable to drive through the development agenda of the ruling party. (Interview 20/07/22)

This was affirmed by a respondent who gave the example of the appointment of a director general with legal qualifications to an economic department,

We have appointed an accounting officer [whose] competence does not lie within the department he has been charged to lead. (Interview 22/01/11)

The expertise possessed by the individual could not be used effectively to contribute to the vision of the department. To perform the task, the official should also possess working knowledge and understanding of the technical area they are assigned to. The challenge, notwithstanding the political pedigree of the individual or their education, they lacked an understanding of their portfolio. This affected their ability to engage with content and to be effective in execution. The State advisor explains,

The other thing that the administration needs to do is to put people in leadership positions who understand the portfolios they're responsible for or at least have the competence to assess what officials are giving them. The analytical ability and awareness to assess what's going on in the system.
(Interview 21/12/13)

The abovementioned point was further illustrated by a mining executive in relation to Mantashe, the first mining minister who came from the industry. He highlights,

The new Minister of Mineral Resources and Energy makes a credible person because he is pro mining. He is the first Minister who knows and understands mining and was a mineworker himself. His appointment was a welcome thing in the industry for that reason, not necessarily because the industry loves him per se. (Interview 20/10/21)

Consequently, added to appropriate appointments to areas of competence, the contention is about officials possessing adequate knowledge and managerial tools that will enable them to deal with detail. Political appointments were never a problem since the political elite and the bureaucracy, even under apartheid, had been politically linked to the party in power. The practice extended to the post-apartheid era, like in China's political bureaucracy that combined the technical and the political, which appealed to tenets of a liberation movement turned political party like the ANC. The difficulty with the post-2007 environment was the overemphasis of the political over the technical, as became the case in relation to disagreements between the state and the mining industry on the Mining Charter 3³⁰.

³⁰ In the early 2000s the post-apartheid government introduced many sector-based transformation charters, in mining, finance, etc. These were policy frameworks, not regulations, deriving from the Constitution. For example, for mining it draws from Section 100 of the Constitution. The sector transformation charters were intended to gain the buy-in of business to agree to a set of transformation objectives in each sector. The first Mining Charter was signed in 2004 between, business, labour and government. Then there was Mining Charter 2 in 2010 and 3 in 2018.

Fear and Mistrust

Bureaucratic expertise creates efficiency and enables political decision-making and policymaking. Sometimes political interference inhibits it, where politicians lack confidence. Three participants, two senior officials and one external, noted the culture of fear and lack of trust in bureaucrats. A senior state official noted,

Political leadership [is] feeling disempowered by expertise. [It does not] trust them to do stuff [because] always it's the political leadership [that] must draft the paper. (Interview 22/01/11)

Consequently, as another official demonstrated, political heads would often implement punitive actions against bureaucrats on false accusations. The official noted,

I was called by the previous political head, and I was asked a question, whose side are you on? (Interview 20/08/11)

Bureaucrats that operate in fear do not initiate action, or innovate, or problem-solve. They are reluctant to act in case they err. This is an observation of one member of civil society,

The current bureaucracy is very risk averse...Nobody seems willing to make a big decision, which might go the wrong way because there'll be an outcry. (Interview 20/08/17)

Agreeing with the previous respondent, without diminishing the culture of fear that had existed, the economic policy advisor advocated for building personal confidence among officials, suggesting,

There are soft skills that we never speak about, [like] confidence. Just the confidence to walk in and say, I have this budget, it is meant to achieve these goals... [Also] once people are afraid that they may be accused of being corrupt, they become extra, extra cautious, to a point of sabotaging progress. (Interview 22/01/17)

Summary: a combination of a fragmented public service training system and the dissolution of a state-wide selection and appointments process have weakened

statecraft building, contributing to challenges in engendering a meritocratic culture, coherence, and a developmental orientation, despite possessing highly qualified, expert knowledge in the State. Rule by politicians and lack of confidence of officials prohibits experimentation and an outcomes-based environment.

7.3.1 Policy Dissonance and Uncertainty

Policy development was the thrust in the State pre-2007. Bureaucrats were knowledgeable about policymaking as well as the party's thinking. Rationalisation of bureaucracy that accompanied State transformation, further affected by the turnover after 2007, weakened core policy capacity in most departments. This was complicated by recruitment of entry-level workers. Also, public servants do not understand the imperative of knowing policies of the governing party because of misconception around the separation between public service and politics. A former state official highlights the difficulties,

It's not that they don't understand the policy of the ruling party, they don't understand policy. They don't know what policy is. (Interview 22/01/11)

The State is, therefore, confronted with reliance on policy development capacity that is outside itself, including those who exited it to create consulting agencies, and academic institutions. A former cabinet member explained how the department of transport was affected by this reality,

When the department tried to make policy, it didn't even have the capacity. [It] then went out and procure[d] consultancies [in the] private sector. (Interview 20/09/03)

Consequently, in this environment policymaking increasingly reflects lobby groups and their interests, prompting a state official to suggest that,

...the policies and legislation that we develop as a country are largely based on theoretical and ideological [perspectives]. (Interview 20/08/01).

Further, policymaking is detached from its potential economic impact and synergy across government functions. State-wide policy dissonance leads to conflict between stated developmental objectives and departmental plans. The regulatory framework

then creates rigidities centred around an audit-centric-action-reporting mechanism. A state official, using an example of environmental affairs, explained how this affects an action-outcomes orientation,

If you take an APP, an annual performance plan, of the Department of Environment, and Fisheries and Forestry, you'd see that they have a target of land that they want to protect and if they don't meet that it means they have not performed. Once you have set it at that level, and you've taken that approach, then anything that comes onto your way is problematic. (Interview 22/01/11)

This illustrates misalignment with policy orientation and constraints on a developmentalist mindset in a specific department. The challenge is, however, wider. Misalignment occurs between departments, in policy and implementation. A senior member of the ANC NEC highlighted this in terms of the DMRE and the DEFF,

"I've also looked at various aspects that are happening in energy and environment and mining and environment. Sometimes we're saying because of the environmental needs we can't do the following things and the mining aspects are sitting with certain assets in someone or the other part of the mine. Now, the questions become, when do we make aligned policy to be able to do the developmental things?" (Interview 20/08/12)

A senior state official concedes to this lack of interdepartmental integration and cooperation, which occurs because officials lack a common developmental mindset, noting that,

The three departments; environmental affairs, mineral resources, and water, came together [to] do away with this fragmented way of doing things and working in silos, because we've got a common goal, which is economic growth for the country. We agreed to align all the three pieces of legislation. Unfortunately, it's not happening that way. (Interview 20/08/11)

This adversely impacts creation of an attractive investment climate, which developing economies like South Africa rely on. The research indicates that national and international investment drives economic growth and development. Engendering

interconnectedness between departments in the economic cluster is essential. A business executive attests to this importance,

When investors look at the country, they look at the whole thing. Assume you're opening [a] mine; you'd have to go to various departments to get that going [because] there is no one-stop shop and there are complications that come with going to different areas of government. (Interview 20/10/22)

What adversely affects investment in South Africa is the lack of policy certainty, often occurring because of the State not finalising regulations that provide clarity and guidance to investors. The government expert explained,

Policy uncertainty gets into the detail of specific things that somehow don't get finished. Be it the finalization of law reform. (Interview 20/08/28)

Policymakers lack a sense of urgency, coupled with not appreciating how their actions are connected to a competitive global situation, or what strategic decisions the State should make to increase opportunities for development and growth. This weakness, a business executive explained, is evident in how the State has been managing the policy on clean fuels,

We can't find a decision. I don't know how many workshops we've had, and we still workshopping. Before you think about clean fuels, where do we fit as South Africa in the global landscape? Once you understand the global context and how decisions are made, [for example] a threat which then make [an MNC] not to invest, [but] you want to find a solution between [different realities], but you can't because economically you can't afford it. (Interview 20/10/23)

In support, a business executive pointed to lack of clarity on the carbon tax,

Government [is] to put in place a carbon tax, what will your carbon tax liability be in 2030, because we're not even sure what it's going to be in 2023 and the Treasury have refused to give a clear understanding of what the specific offsets will be. (Interview 20/08/19)

These views, shared by government and business participants, point to the challenge of a weak link with national interest in South Africa's policy environment.

Role of Treasury in Policy Implementation

Five participants – three senior state officials, one a consultant and another from the alliance, articulated concerns about the role of Treasury in the context of implementing of state policy, as by. Since the dawn of democracy Treasury and its leadership have occupied a prestigious position in the state architecture with proximity to the presidents, giving it immense power. An ANC official explained that this resulted in it deciding on government actions, noting that,

Since 1994, Treasury has a de facto veto on policies, because they can simply say there's no money or allocate, or not allocate money to particular programmes. (Interview 20/08/20)

The policy overreach and blocking implementation of development programmes showed in two instances. First was the nuclear build proposal linked to energy security and supply. Second was the national health insurance aimed at universal healthcare coverage. A former senior State official argued about affordability,

If South Africa wants to build another Koeberg, there's no problem. But what was being proposed is basically selling the country to Russia and to lock us into a crazy programme that was going to bankrupt the country, [so] Treasury was an effective safeguard against poorly developed policy proposals. [On the other hand] Treasury opposed [the] vision of NHI. There's no doubt about that. (Interview 20/08/07)

The other challenge with Treasury is its ideological orientation since pre-2007 which, as discussed, espouses neoliberalism. According to the economic policy advisor, linking it with the failure of the NGP, Treasury is aligned to capital instead of DS,

National Treasury is an extension of South Africa's financial sector. So, ideas that were contained in the new growth path could not take off. (Interview 22/01/17)

In support, one respondent characterised it as class contradiction between interests of the governing party's constituency and the interests of markets. He articulated,

Treasury did have a particular ideological agenda that is rooted in economics. Treasury is accountable to affluent taxpayers and capital markets that's independent of the will of the ANC, and that imposes a certain logic that might be hidden. So, objectively, Treasury comes into conflict with the ANC or with the liberation movement, because the liberation movement and the ANC is representing the beneficiaries of spending in the main and the Treasury is kind of where the two worlds meet. (Interview 20/08/07)

The explanation elucidated the interpretations of economics, that is, about mathematical equations or development, and the lack of understanding of the symbiosis between politics and economics and *vice versa*.

Added to the ideology, comments on the Treasury raise the question of where bureaucrats derive their mandates if not their political heads. This also brings to the fore issues of the motivation of those who are opposed to state-led developmentalism, as well as being about embedded autonomy, avoiding capture by one or the other social actor.

Summary: officials lacking the full grasp of policy has meant that they are unable to interpret why and how the various instruments at their disposal are necessary, also in what manner they can be effectively used for developmental purposes. The regulatory framework, rather than enhance developmentalism, acts to obscure policy inadequacies among officials. It weakens a developmental mindset and strengthens the neoliberal ideological thrust in the Treasury. Treasury, nevertheless, is a microcosmic expression of the political and ideological tensions existing in the governing alliance and broader South African society. However covert or overt they manifest; these binaries undermine pragmatic attempts at constructing DS.

7.3.2 Professionalising the State

Professionalisation of the State is an important aspect of DS. As discussed in chapters 3 and 4, the success of DS was due to highly qualified, highly skilled, competent

individuals who brought their technical expertise to bear on State action. Expertise enabled bureaucrats to transcend the different environments, whether it is systems of political or de-politicised bureaucracies.

The difficulties inherent in building professionalism precede 2007. The post-apartheid transformation agenda with its new mandates for departments overlooked the technical capabilities of civil servants. According to a government expert, misalignment between mandates and expertise, which is yet to be corrected, showed with compliance to sector transformation charters. He explains,

With the introduction of the transformation agenda new areas had to come to expand the mandate of the department, for instance, people had to evaluate complicated transactions, have expertise on mergers and acquisitions. Those are the things that give the mining industry this commercial sophistry that we lack in the Department. (Interview 20/07/04)

Agreeing with the view, a senior State official explained further,

What the Director of BEE should do is to assess at the point of application, the structuring of BEE deals that constitute the application, and it is at that point that you have an opportunity to reject that application or accept it. Now, instruments of financing are extremely cumbersome in nature. And this individual that you put in that position is a social scientist. What do you expect? (Interview 22/01/11)

Accompanying this situation, along with the emphasis of new public management ideas, was the prioritisation of technicist tendencies with a legal bias that not only weakened professionalism but an economic development outlook as well. A former cabinet minister described the situation,

The idea is that what you want in the state is essentially managers, preferably with sort of MBAs. Now, of course, you do need some of the lawyers that you've got in your departments. But you need engineers. So again, this new public management notion is kind of very managerialist technocratic, but not professional. Professional in terms of sectoral professionalism, of engineering, architecture. (Interview 20/09/03)

An added advantage related to these professions is standardisation and accountability to a professional association, which serve to mitigate against corruption and other challenges. In the context of the NDP and the master plans the State should possess technical expertise that will help it perform the fundamentals of planning and execution, like project management techniques, sectoral linkages and economic interventions. A private consultant questioned if the State had such capabilities,

Do you think that departments if they have got this plan [masterplan] there's a Microsoft Word [or] Microsoft Excel template that says so and so roles, so and so's responsible, deadlines are this, accountabilities this, coordination of profit sectors. (Interview 20/08/27)

The legal framework arising from the constitution, although developmental, has been used by some interest groups to block societal transformation, that is, on land issues, energy, environment, and others. Therefore, officials seized with implementing change should possess knowledge and application of the law, supported by accurate data. An expert on the State explained,

There must be competent technicians, who can implement the nuts and bolts of legislation because its technical. They are entry level people. If you look at actual qualifications, they've got legal or paralegal. [Also] there's no one who deals with data. You can't have land reform without data, the absence of information. (Interview 20/08/28)

The implication is that State officials, besides lacking physical information, are unable to analyse trends and challenges. Weaknesses that occur due to inexperience and lack of technical knowledge, especially in industrial sectors that are critical to economic development, affect the overall performance of the State. State intervention thus lacks impact and effectiveness. A senior State official highlighted the challenges,

I found that there were a lot of people in the department that were just floating around, many of them came straight from university or technikon. So, they had no industry experience. In most instances, they could not sit across the table and engage in detail with the industry that they need to regulate. A lot of the policies, or a lot of the regulation, require that you have a grasp of the

technical issues, to be able to guide the industry. And I found that to be lacking.
(Interview 22/01/17)

High turnover in the public service after 2007 compounded the previous period's transformation interventions. Hence the dearth of depth in practice and technical understanding and application linked to expected industrial change.

A Systems Way of Working

An element that challenges bureaucratic structures in the South African environment, where officials should gain confidence and experience of doing, is finding the right balance between overcoming rigidities and ensuring standard practice with adaptability in the system. Entry-level employees should be empowered to know how things are done, preparation of submissions, the flow of information from the point of inception to signing off. The commissioner illustrated both the challenge and importance of these,

It's very difficult to get things done in this government. Every single thing that gets done anywhere in government requires first order thinking. In other words, [if] we have to procure X, how do we go about that? Unless you've got rules of the game, and everybody knows what they're supposed to do. It's not a creative organization. (Interview 20/08/11)

On the other hand, given the lack of creativity due to the structure of the bureaucracy, officials are confined to their branches without sight of what happens in other areas. Furthermore, compartmentalisation leads to lack of teamwork across functions, which would draw from various disciplines towards a common outcome. A senior official elaborated,

We get compacted in our boxes...ideally, you need to be able to say what are the five things that the department is going to deliver...and everyone contributes...[and] at the point of reporting it's whether you've achieved these five things. (Interview 22/01/17)

There is thus the lack of a systematic approach to execution, defined by a clear critical path, milestones, and outputs and outcomes that enable the measurement of

performance against the goals. A senior official provided an example in the context of energy generation, noting that,

Performance is not being managed, it's a tick box process. [Also] take [the] gas-to-power [issue, for instance], when you look at it, that thing is not mapped out, [and] not everyone even in this chain understands that their action affects what is supposed to happen. (Interview 22/01/17)

Developmental bureaucracies and developmental networks need to function across rigidities, and even override departments. In South Africa, coupled with the imposed strictures of APPs and PFMA, the architecture of departments restricts flexibility, innovation, and urgency.

Pockets of excellence

Despite existing challenges, there are some officials and departments that possess the capacity and capability to perform at the required level of expertise in their given areas.

The Treasury is considered the epitome of civil service excellence in terms of its personnel, their qualifications, technical expertise and performance. A former State official observes,

The Treasury was a centre of expertise. (Interview 20/08/07)

A business executive highlighted the DST which assists the industrial complex, through agencies like the CSIR, with entrepreneurial development,

[The] Department of Science and Technology, [is] very good. DGs lasts long there, high capacity of scientists, who work with business. We've got lots of partnership with them. We do a lot of research with them. (Interview 20/08/25)

This ensures stability in a department, historical memory and continuity, which translates into confidence among social actors as well as strong partnerships.

Incentives in public service

South Africa's public service, different to Asian DS, lacks prestige. It is perceived merely as employment, instead of a service-oriented responsibility. The post-apartheid

State added to this orientation by not providing senior managers, like the DG, with long-term employment contracts. A business executive explained why such contracts contribute to personal security and ethical conduct,

Give them security of tenure. And give them those guys who choose to be in public service, as a career that is secured, then they will not need to be stealing, concerned with the five-years and working out how they will survive beyond it. (Interview 20/08/25)

A senior state official amplified the point by arguing for a bouquet of incentives,

There are financial and non-financial rewards. And at some stage in anybody's development, when you are younger financial rewards are very important. But when you grow older, simple things like recognition go a long way. A developmental state has got to have a basket of instruments that it uses to incentivise and know those constitute capable officials. (Interview 22/01/11)

Investment in these actions, appointment to the apex of the State will be recognised as high-profile and meaningful lifelong service. It will improve security of tenure, skills retention, delink the political and bureaucratic, and attract the best professionals into the service. It inspires an ethical culture, engenders continuity and historical memory, thereby contribute to fulfilment and bureaucratic autonomy.

Public service reform

There was recognition of, and effort towards developing capacity and capability in the public service. The School of Government has been tasked to develop interventions that will assist this process with the objective of constructing DS.

A former senior State official explained how, as part of the reforms, there was a focus on developing an understanding of DS in the public service,

I've been asked to join a group of educators, with the National School of Government, to train people in the executive on what [it] calls the economic governance. And part of what we will be talking about will be, what the developmental state [is]. (Interview 20/08/06)

Training political leadership and senior managers is critical to providing a developmentalist orientation and mindset. This will impact positively on planning, policymaking, and implementation.

Summary: State and business participants alluded to sections of the State that possesses the correct capacity and capability, which can form the basis for constructing DS. The weaknesses related to the inability to deploy existing expertise to the right positions for maximum effect. As one business executive noted,

There are many competent, well educated, very experienced people in the public sector. But, perhaps in an area where they shouldn't be. (Interview 22/01/13)

State reform is a process. South Africa's attempts show mixed results stemming from different attempts. This highlights the importance of continuing to strengthen the institutions to find the appropriate balance applicable to the situation.

A former senior state official articulates this challenge with reference to the Chinese experiment, observing that,

They [2nd administration] were too much about technical expertise not pandering to political sentiment. But since 2007, the pendulum has swung too much in the other direction. How do we find a balance, where there is a technical bureaucracy, people are able to make professional decisions, but there's also a space for politics and influence of politicians and constituencies. The Chinese have 5000 years of history of government, where they've been grappling with this problem. We just in 20 years, so it is going to take us time to find our balance. But unfortunately, we may have to go through a lot more pain before we find it. (Interview 20/08/07)

This suggests the need for a deliberate, long-term intention to build the State, recognising that efforts will sometimes fail. DS in Asia, Botswana and Ethiopia, respectively, benefited from a combination of factors, that is, a long institutional history, a long tradition of bureaucratic training, and a balanced fusion of colonial and

post-independence administrations. South Africa lacked these elements that were decimated by colonialism and apartheid, but also discontinued in the democratic era.

7.4 EMBEDDED IN SOCIETY

The ability of the State to engender developmentalism is dependent on its ability to immerse itself in society, utilising existing networks.

A history of conflict and mistrust

South Africa's state-society relations are influenced by its historical and political environment, sometimes cooperative and other times conflictual. Thus, inhibiting progress towards developing a common national agenda for developmentalism. A mining industry executive explained,

The relationship between business and the state has not been an easy one throughout. There's always been lots of different tensions, whether it was between the Afrikaners and the crown, whether it was between the native indigenous people and the crown or the Afrikaner settlers, [and] the ANC.
(Interview 20/08/17)

Unlike East Asia, big business in South Africa had remained strong at the point of change. But it was impeded by disinvestment and sanctions that were part of the international solidarity against apartheid. It thus lacked an international platform and competitiveness. The ANC had assumed that by freeing business to be a global participant it would reciprocate by investing in national development. The former cabinet member argued,

We thought that [capital] would voluntarily and patriotically invest in the country, and support democratization. But their agenda was for sanctions to be lifted against them so that they can get their money out, and for the domestically applied exchange controls, prescribed assets, to be relaxed. We didn't get the social compact. (Interview 20/09/03)

This is supported by the government expert who thought that only selfish interests of capital have thus been fulfilled, who stated,

In understanding the power of capital, one of the big failings of the post democracy and the rainbow nation discourse, is that capital has ridden the crest of that and extracted its advantage from that without meeting its obligations. (Interview 20/08/28)

These comments underline the sense of betrayal in some quarters of the governing alliance, which contributes to mistrust of business. Business grew from post-apartheid economic reforms without contributing the expected national economic dividend. This has created difficulties for the State, as a senior official notes,

Our capital could be of benefit to the state, it also has this international footprint. So, when it doesn't like anything, it threatens our state with something and everything goes haywire, collapses. So, the state is always worried about it. (Interview 20/08/17)

The State is, therefore, unable to discipline capital. Consequently, two centres of power have emerged in society, the political led by the State, and the economic led by capital. Other events like state capture and corruption linked to personal protective equipment during Covid-19, also weakened the legitimacy of the State in the eyes of social partners. The senior state official noted,

Recent events around corruption hit quite seriously the legitimacy of the state. Who are you, when you are so corrupt that you can think you can rally us to a common cause, which involves resources, which resources if we do collect or save, you will put in your own private pockets? (Interview 20/08/17)

Corruption is not only about the state, because the private sector has also participated through collusion or state capture. As a business leader highlighted,

I think there are parts of business that haven't conducted themselves with glory, where you have a business involved in corruption, businesses involved in collusion and trying to undermine parts of government, undermine some department in the way they relate to them in partnerships. That also adds to lack of trust. (Interview 20/09/10)

These comments suggest the underlying reasons for lack of trust in state-society relations, as attested to by eighteen participants. They also suggest that capital, as discussed, is motivated by selfish interests which, unless disciplined, are not beneficial to the common good. Furthermore, that state corruption adds to and derails potential for cooperation with business to support developmentalism.

Statutory forum for dialogue

Most models of DS show that states suppressed social actors. The South African state, however, needed to foster relations with business and labour as key social institutions. The former for its economic power and the latter as an ally of the liberation movement. This is recognised by the governing party, as a member of the ANC's NEC shows,

The ANC and its government cannot implement programmes that it has adopted on its own but would need partnership with both labour and capital.
(Interview 20/08/12)

This view links with the corporatist influences that impacted the liberation movement. It indicates the importance of institutionalising a mechanism for partnership, as a member of civil society argued for it,

South Africa is in a better position to pursue a developmental state than most countries, mostly because we've structurally enforced consultation and social dialogue. (Interview 20/07/20)

Since its inception, the challenge was in relation to the expectations partners had about the National Economic Development and Labour Council (NEDLAC). Organised labour wanted co-determination with the State, which is a corporatist conceptualisation, whereas government perceived it only as a forum for dialogue, not decision-making about state action. As a former cabinet minister argued,

Trade unions always fired in there with the biggest guns and government wasn't always available. NEDLAC, instead of becoming a forum for social dialogue, in the minds of the trade unions, had to be an extension of the wage bargaining negotiations. What curtailed the development of the developmental state is that strengthening of the locus of power in the hands of trade unions and NEDLAC. (Interview 20/08/12)

Another challenging matter in South Africa's developmentalism is the country's plurality and the impact thereof on the State to drive transformation. This highlights the democracy-authoritarian state debate in development. As explained by a former cabinet minister, the inclusion of civil society in the statutory dialogue contributed to its ineffectiveness,

NEDLAC was meant to be tripartite in the same way as the ILO, government, business, and labour. It wasn't long before ...a kind of hodgepodge of NGOs wanted a community seat that was equal to the others. It was one of those critical mistakes. (Interview 20/08/12)

The institutional mechanism weakened the ability of the State to drive its agenda and discipline social partners. This was emphasised by a former business executive,

When we were fighting apartheid because we needed everybody because there's one common enemy. But when you are running government, you must take a position and say this position is right. (Interview 20/08/25)

This aligns with advocacy for a soft-authoritarian approach, like the Singaporean situation where the State, to drive developmentalism, suppressed interests of its allies.

In line with the above perspective, a senior State official explained that the challenge was not so much about consulting as it was about the protracted length and processes which, in the end, affected the speed of doing things, suggesting that,

We deliberate probably for about 15 years and then ultimately in 25 to 30 years reach the same thing that China has reached in three years. Our system is very deliberative, we try to get everyone on board. (Interview 20/08/17)

The ability to discipline social actors, align the developmental agenda with groupings in society, is critical to developmental hegemony in a fractious society like South Africa where single-issue movements, including influence of lobby groups, are prevalent. This also exposes the challenge of legislated consultation processes, aimed at plurality and inclusive participation, which not only delay but can derail developmentalism if not well managed and the State is not strong.

Non-Statutory Partnerships

Over time various levels of State had developed relationships with social partners. These faced serious challenges post-2007, which undermined the effectiveness of the state to instil the developmental agenda in business and labour.

The first challenge started in the Presidency. The Mbeki administration had developed working groups where domestic and global capital, including labour, participated to share ideas with the State and propose areas of cooperation. A former business executive explained how these worked, that is,

We used to meet regularly and plan for it. We had two structures, a big business working group which met with [the President] and his cabinet regularly. [President] also created an International Advisory Council which also included us as businesspeople. (Interview 20/08/25)

Attempts to revive the working groups failed because the political leadership did not support them as in the pre-Polokwane administration. The former State official explained,

We tried to re-establish those structures. [First] we tried to find out whether there was support, and initially, they said we [can] build our own working groups. But in the end, we couldn't reproduce the structures of interaction between government and business that had existed before. (Interview 20/08/06)

Infusion of non-business elements into the groups created an environment of suspicion and led to the collapse of the dialogues. A former business executive elaborated,

The fifth administration when it entered the small business working group was there. But it started getting infiltrated by people who are not real businesspeople, which basically hijacked the whole business agenda in this country... The ideological drift became extremely leftist, which says don't trust big business, don't trust business at all. (Interview 20/08/25)

The lack of structures led to incoherence and the absence of a long-term strategy to address challenges of economic development and growth, which discouraged the private sector. One industry leader suggested that,

[it] became very fragmented, ad hoc, and often when there was a particular crisis. The relationship with organized business soured considerably.
(Interview 20/08/17)

This situation coincided with debates in the ANC about radical economic transformation and the so-called white monopoly capital, within the context of what was termed a second transition that was primarily about economic change. These negatively impacted perceptions about business.

The anti-capital sentiment was explicitly and implicitly communicated at ministerial level, leading to a breakdown of relationships with business. Business response was also propelled by events surrounding state capture. This was most evident in relations with the mining industry, as an industry executive described,

The relationship became very strained particularly with what was going on in Eskom, with Optimum Coal, in Transnet, SARS, and others. We got to the point where we said we are no longer going to engage with Minister [mineral resources] because we don't think he has any credibility. We no longer recognize him as the authoritative voice on behalf of government. (Interview 20/08/17)

The industry publicly snubbed the minister at one of the four biggest international mining investment conferences. The State official characterised the moment as the worst ever in state-business relationships, specifically mining, suggesting that,

The political leadership didn't help much preceding 2018. For the first time the industry attacked a minister of minerals in public, [and] things degenerated... The orientation of a DMRE official towards the private sector is that it immediately sees the private sector as the enemy. (Interview 20/08/01)

At a larger scale, this was problematic because mining remains the bedrock of South Africa's economy, with a strong international footprint. The MEC is key to economic

development and growth. Undermining it severely inhibited developmentalism, especially investment attractiveness.

Other departments, despite a challenging environment, maintained relationships with their sectors and industries. This was the case in the manufacturing and tourism sectors, respectively, as one former official suggested,

Different parts of the state have different relationships, tourism has had a strong relationship with the private sector and DTI has tried to work with the manufacturing sector. (Interview 20/08/06)

Change of political leadership after the removal of the President Zuma in early 2018 led to the rebuilding of trust in the DMRE. This was most evident during Covid-19 when mining activity was permitted to continue. The department and business developed Covid-19 work protocols. An international business executive argued how that relationship and the permit was significant to their company's continued investment in the country. He illustrated,

South Africa is still on lockdown, like most parts of the world. But we work together through the department, DMRE, to develop protocols. [There was] issue [of] a Gazette that will really allow these activities to start, [because] without that Gazette, without the support of all the senior officials of the department, we will not be drilling this well, today. (Interview 20/08/24)

These interventions were critical in the economic recovery process of the country after Covid-19 restrictions.

State-business relations are strong and operational at the level of some associations and forums. The financial sector, where the relationship is symbiotic, the State is embedded. A business leader argued that the State has effectively engendered its policy through the sector,

When I was at the Banking Association, the Reserve Bank would come out with a whole range of regulations, send it to us. We would comment in detail. They would then set up a meeting with us for half a day or three quarters of a day [with] the Governor of the Reserve Bank, the deputy governors, registrar of

banks, and we go through a detailed process where they demonstrate that they take our inputs seriously. (Interview 20/09/10)

There are other sectors like petroleum that, although having associations, have struggled to create a sectoral approach to relationships with the State. Thus, weakening their impact and effectiveness, particularly on shaping State policy outlook on the industry. A business executive suggested that absence of a sectoral body in energy led to lack of cohesion compared to industries that had, hence need thereof. She explained,

Let's take our industry [energy] and contrast it with the banking sector and the mining sector. Those two councils are very effective because they hold each other, within their council, to account. They also have the ministries that are knowledgeable to be able to dialogue with. (Interview 20/10/23)

Business associations and industry bodies, formal and informal, are useful to relationship and trust building, developing linkages with the state and ensuring internal accountability within business. The Taiwan DS demonstrates this best and indicates how business associations were central to information sharing.

Summary: one of the main challenges in state-society relations is lack of cohesion, which translates into inability to work together. This is a consequence of the historical context, perceptions about the role of business in development, lack of shared expectations, misunderstanding of capacities and the capabilities each have or do not have. These challenges are not sufficiently interrogated. The advisor to the State described the misalignment,

The key institutions of our society don't work well together. They talk about working together. But there are very few instances where they've worked together to change. Private sector wants government to do this, government wants private sector to do that. And never the two shall really meet to come up with a coherent strategy. We don't have that social cohesion and that trust amongst these institutions to drive this developmental state. (Interview 21/12/13)

The disconnect in state-society relations, specifically about business, is that it remains largely white, personnel in both sectors lack interpersonal connections, and lack a grasp of each other's work environments. A business executive with experience of working in the state affirms this, suggesting that,

My observation over the past 20 plus years is that ... the officials that come into government have no inkling of how the private sector works. The understanding is, we are the regulator, we are in control, not we are an enabler, and it's a good thing for companies to prosper. The flip side also applies, [that is] understanding where government is coming from, the type of individuals that you're dealing with, and their life experiences and their perspectives. It's typically lost on the private sector. And the racial element because the profiling government is very particular. And those who dominate power in the private sector can be of a particular race. (Interview 22/01/13)

These illustrate the challenge of South Africa, that is, a powerful, white, financial sector almost untouched by democratisation standing in contrast to a public sector that is predominantly black. Therefore, contradicting worlds and worldviews about change and economic development. A contrast to Japanese experience, where senior state officials progress into senior positions in business, thereby deepening ties between the State and business through developing shared experience and understanding. At the same time, while the State on the one hand has not built this into its human resource development plans, the private sector has also been reluctant to absorb talent from the State. This highlights the underlying factors that inhibit the development of an economic bureaucracy with an entrepreneurial mindset, open to incorporating the State in the transformation of society.

7.5 CONCLUSION

The interviews suggest that the post-Polokwane leadership was high on the ideology and thin on the substance of constructing DS. As one respondent characterised it,

There isn't a cohesive leadership in government, that has similar views about the role of government and the role of a capable state and its relationship with the private sector. (Interview 20/09/10)

This underscores the importance of a genuine, not overbearing, symbiotic relationship between the State and society, especially capital, on the developmental agenda. Herein the State defines the path forward, is not subservient to the interests of capital, and business participates, as the official outlined,

[In] a developmental state, the state defines the North Star of development. It's a state-led economic development path. It invites private sector participation [and] creates an enabling environment for the private sector to participate.

(Interview 22/01/11)

The challenge is that the State has hitherto lacked the ability to lead and guide the developmental process, owing to capability deficiencies. Its inability to effectively plan and implement its developmental programme because of the lack of an appropriate central coordination and planning mechanism. Hence the dearth of a developmental mindset and a dissonance in policy as well as operationally.

Although the State has highly qualified and skilled personnel, it has not appointed it to areas of their competence. This is complicated by the lack of flexibility for officials to act freely and innovate because of political interference and a rigid restricting regulatory environment. Attempts at public service reform should elevate it to a prestigious occupation that attracts the best quality of person and skills.

Despite a strained period emanating from anti-capital sentiment and state capture, state-society relations remain strong. They present potential to instil the developmental agenda. This is borne out by the view of a business executive who suggested that, after the Zuma administration,

...there's a strong belief in the new regime [and] that collaboration is happening. (Interview 22/01/13).

CHAPTER 8

THE CHALLENGE OF BUILDING A DEVELOPMENTAL STATE IN SOUTH AFRICA: A CRITICAL ASSESSMENT

8.1 INTRODUCTION

This chapter analyses the challenges of establishing an effective DS in South Africa, with specific focus on the period after 2007. The analysis relies primarily on the empirical data from the previous two chapters. This chapter intends to develop a synergy between the field research, the conceptual and literature review chapters. It contends that, although South Africa possesses attributes to establish DS, it is inhibited by lack of deliberateness and coherence, inability to convert attributes into strengths to consolidate its ideology. The researcher acknowledges that there may be some inherent bias due to the internal knowledge of the subject, and thus relies on views of participants in engaging theory with the experience.

8.2 LEADERSHIP CONUNDRUM

8.2.1 State-Wide leadership

The leadership challenges post-2007 have had reverberations throughout the State, from the ministries to the departments (section 6.3). The Presidency's failure to function as the central nerve and locus of authority reflects in both a fragmented leadership and disparate state orientation and action. A vacuum at the centre has created space for fiefdoms that advance individual interests, rather than the intended objective of a DS. The leadership, including the Presidents, is not without political will, but has it channelled towards other interests. Its embeddedness in groupings outside the State, like the party, alliance partners, or the financial sector, has weakened its ability to act as an arbiter. The President not appointing his own trusted ministers to the treasury, to the NDP-cum-NPC to lead the new policy shift was a major contributor to lack of cohesion, and failure of state-wide implementation. The NDP, notwithstanding the ideological contradictions, had at least provided the basis for

necessary intervention. Arguably, even with an external expert NPC, had there been political leadership for direction and synergy with the State, relative coordination, planning and implementation would be achieved (6.6). The leadership weaknesses suggest that, although it was committed to DS, it was neither aware nor prepared for its implications on the State overall. Therefore, leadership performed below the leadership attributes discussed in section 3.3.3. Its experience moves contrary to examples of successful DS leaders – especially presidents, dictators or democratic leaders (chapter 4).

8.2.2 The ANC's Logic of Political Development

The developmental ideology has motivated the national liberation struggle since the founding of the ANC and is entrenched in its policy (see chapter 6). Its approach, however, remains political, not economic. It revolves around party unity, liberation rhetoric, populism, and a broad church, which are all separate but interconnected (clarified in greater detail below). Leadership provides authority, cultivates unity, nurtures and tames different ideological strands; what is known as democratic centralism. As research participants articulated, Mbeki and Zuma acted in this manner, notwithstanding the differences and weaknesses of their individual leadership styles, while Ramaphosa's leadership created a vacuum due to its indecision and failure to provide direction either way (section 6.3).

- *Party Unity*: The RDP, unlike GEAR and the NGP, was widely accepted because it encompassed all the movement's streams, uniting them on transformational objectives. Adoption of DS sought to overcome fissures (section 6.2). The compromises made about the NPC and its leadership form part of that logic. The NDP, however, became a casualty of the contestations (section 6.6).
- *Liberation Rhetoric* (section 6.4): The legitimacy of the ANC derived from its leadership of the struggle for freedom. Its weakness lies in its inability to transcend the liberation movement rhetoric, like "ready to govern" and "leader of society". It should rise to the imperatives of developmental statecraft, that is, deliberateness about governance and societal transformation. This requires a structural re-design of the party, qualitative leaders and members.

- *Populism*: The social welfare programmes appeal to the majority in suggesting that the State can meet the needs of the most marginalised. Herein, too, is the progressive and labour-friendly framework (sections 6.2 and 6.6).
- *Broad Church*: This represents the popular mass-based rootedness of the ANC in society that draws from its liberation heritage of mobilising the broadest sections of people, nationally and internationally. Hence its developmentalism has become hegemonic. It has also produced pluralism that enables and inhibits developmentalism, thus creating tension between democracy and development (section 6.5).

The ANC's framework is closer to the Chinese Communist Party's political developmentalism that advocates for the logic of party cohesion and unity, to which decision-making and economic reform are made to conform (Breslin 1996). This is explained by the revolutionary backgrounds and political philosophies of both organisations. The CCP has, however, transformed from a revolutionary to ruling party with capacity and capabilities for developmental statecraft. Its leadership, since party and state reforms under Deng, exercises authority over internal party differences without threatening the developmental agenda. The ANC differs with the authoritarian developmental states in Africa and Asia on the strongman feature (Hsiao and Hsiao 2014; Matfess 2015). The ANC can best be described as a leader among equals (Callinicos 2004).

Although there are similarities with Vietnam and Singapore regarding alliance with organised labour based on the struggle for freedom, ruling parties in those countries discipline their allies. The third and fourth elements in the East Asian model was a feature in the post-economic development period. It aligns with most Latin American countries on elements three and four, differs with Brazil on the second element but is like Mexico. In Africa, it shares the third aspect with Botswana. It also shares the third and fourth elements with countries of the West, as well as Japan, with the exception that parties in these countries have developed sophisticated approaches to manufacturing consent.

The third element provides a window into the ANC's stay in power, that is, voting for the party would lead to socioeconomic change and access to government benefits (Chapter 5). As Matshiqi (2010) warns, its second and fourth elements require cautious attention to avoid adverse impact on developmentalism. In such a scenario there could be inclination towards authoritarianism when the liberation movement conflates party and State, when it realises its failure to deliver the dividends of freedom. The fourth element could enable the ANC to establish DS (Chang 2010), but it has been ineffective to transform this attribute into an advantage. Unlike the CCP it is not autonomous to strong groups and lobbies.

8.3 IDEOLOGY AND IDEOLOGIES

Chapters 6 and 7, especially the former, reveal a clear intention after 2007 to shift the State towards DS with a strong emphasis on state intervention and direct participation in the economy. Emphasis included investment in sectors that can change the structure of the economy, including economic control and management. Ideologically, the choice for DS aimed to provide an alternative to existing neoliberal thinking, wherein markets were the dominant. This reinforces Mkandawire's assertion of societal transformation "not [being a] mere outcomes of invisible markets" (2010:61). Also aligns with the conceptualisation that DS provides an impetus to refute the market dominance theory (Pempel 2011). Pre-2007 de-emphasising the State in economic development (section 6.3.2), which reinforces Michie and Padayachee (1998:628), akin to Argentina's "absent state" (Cohen 2012:106).

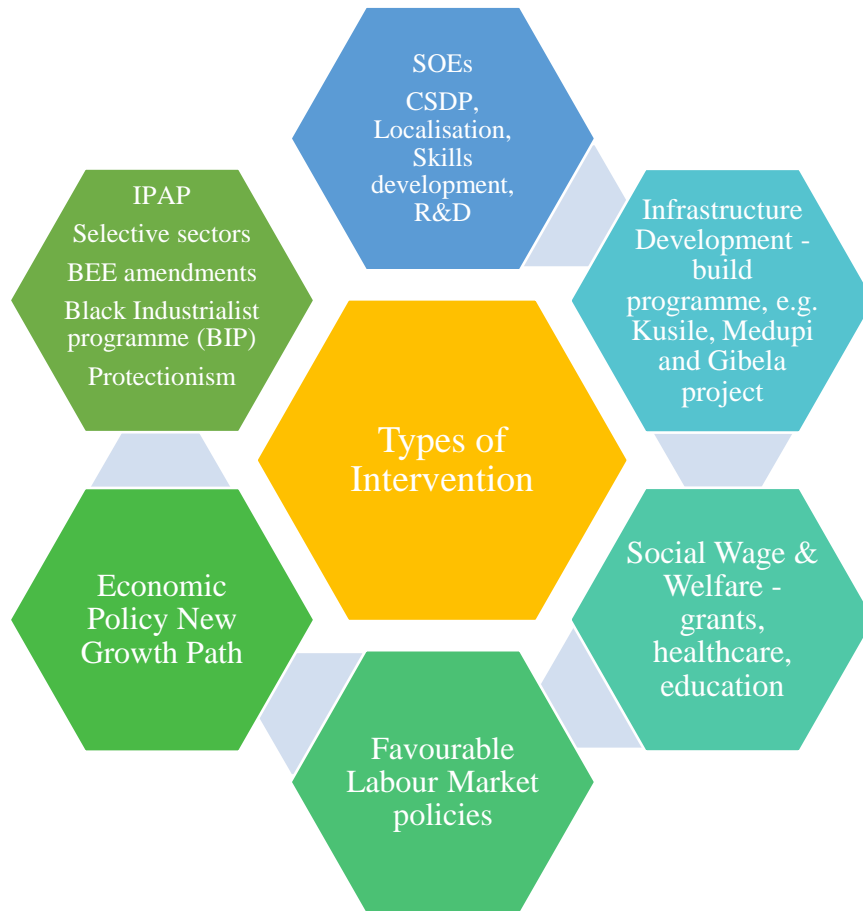
The proposed shift was neither well negotiated inside the party nor adequately planned for in the State. Advocates failed to create consensus with opponents on its implementation. Hence the ideological rifts. Although the party leadership had changed, proponents of the neo-liberal path controlled the State. This is reinforced by the PCAS document's (Presidency 2008) assertion of a decision to not implement the radical policy shifts but to maintain the pre-2007 fiscal policy framework. This implied a state that does not fund its policy objectives (section 6.2.3). The financial crisis of 2009 and the Covid-19 pandemic added constraints to the fiscus while the lack of an overall strategy to guide the DS shift resulted in the inability to take advantage of the

opportunities, including hegemony of the developmental project in society, for state intervention in these moments of neoliberal crisis (section 6.2).

The State invested in a plethora of economic policy programmes within the DS framework, that were largely consumption driven, with minimal to zero investment in public and economic infrastructure to enable developmentalism. The interventions display a mix of policies and programmes that include, *inter alia*, regulatory mechanisms, investment in human capabilities, limited investment in public and economic infrastructure, use of SOEs, and industrial policy. These were implemented through a combination of developmental bureaucracy and developmental networks that are neither coordinated nor integrated at conceptual and implementation level (chapter 7).

Table 8.1 below depicts the political models and the ideological outlook of the State, straddling the liberal and developmental (chapter 3). It depicts the conceptual dissonances in the ANC (chapter 2). It illustrates challenges highlighted in the data (chapters 6 & 7) resulting in lack of single-minded focus, lack of prioritisation, characterised by a fragmented bouquet of interventions, funded and unfunded. This is part of the weaknesses of leadership (section 6.3). South Africa's economic and financial management derives from the Constitution (RSA 1996), from which transformation regulations derive, for example, PFMA1999, PPFA 2000, BBBEEA 2003, Mining Charter 2004, 2010 and 2018. The state's overreliance on a regulatory framework affirms the limitations of a regulatory state, as articulated by Schneider (1999) and Pempel (1999), that it makes industrialisation secondary.

Table 8.1: Policy interventions



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South Africa displays contradictions of developmental constitutionalism, or Nogxina’s (2019) paradox of transformational constitutionalism. On the one hand, its advocacy for a regulatory framework to transform the economy asserts Swedberg’s (2005) argument of regulation and industrial policy as instruments to intervene in changing the economy. On the other hand, when the law inhibits economic transformation, it reflects Nee’s (2005) argument. First, for the law to be effective, all social partners must share its outlook and intention. Second, as is seen in the bureaucracy’s inability to change and implement, the law breeds organisational inertia. Although South Africa, as a regulatory state, is like the United States, the latter uses markets as the extension of the state power (Lange and Rueschemeyer 2005), an approach that informs the Defence Act.

Although the economic and industrial policies, that is, the NGP and IPAP, sought to provide a multi-pronged interventionist framework, like Wade's (2005) types of industrial policy, they also failed its very conditions for success of ensuring support from the monetary, fiscal and infrastructure instruments. Fine (2012) and Tregenna (2011) were prescient in this regard. Industrial policy and competition policy have not been effectively linked to enable growth in domestic industries – especially enabling new entrants, development of infant industries and ending monopolies (chapter 2). Current interventions reflect Schneider's (1999) political industrialisation where markets benefit, not the State. There is no innovation and development of infant industries through SOEs and DFIs; the idea of an entrepreneurial state (Mazzucato 2013; Weiss 2014). This is also evident in relation to the IPPs and the Black Industrialist Programme (chapter 5). This falls short of what Evans (1995) refers to as an “implicated” State in economic development. Like India, illustrated by Muzaka (2018), a productive capitalist class that is cohesive has not emerged despite the State's support of the BIP, IPP and BEE interventions. Instead, there is an elitist group that benefits from its proximity to the ruling elite (Motlanthe 2014).

Therefore, unlike in the East Asian model, South Africa's industrial policy does not govern markets (Wade 2005). Similarly, unlike China, it lacks control over the financial sector (chapter 4). It also does not apply Amsden's (2005) reciprocal control on industries and thus aligns with the Indonesian, Malaysian and Thailand states (chapter 4). The private sector is thus not disciplined to contribute to the national developmental agenda. Also, industrial policy is not tailored to the profile of the job seekers, hence the mismatch between education and jobs and the persistent gap resulting in the two-tier labour structure, leading to limited absorption of unskilled and under-skilled labour. This is complicated by the relationship of the governing alliance with organised labour, which impedes radical labour-market changes without corroding progressive labour policies.

Coupled with consumption-driven expenditure – especially on social welfare – the interventions resonate with what Breslin (1996:692-694) called China's dysfunctional developmentalism, namely, the State uses the budget to subsidise different groups and

their interests. The logic thereof is political rather than economic (section 6.6). The difference is, China is large and complex and has developed on the back of investments (chapter 4). South Africa lacks growth due to lack of investment. This reinforces Dreze and Sen's (2013) critique of Indian development, in that it lagged its regional counterparts due to neglect of investment and public spending in social development – except that South Africa spends more on social welfare (chapter 6). South Africa's social welfare and labour policies bear some similarities with most European and Latin American states (chapter 4). The difference with Brazil and Scandinavia is that these countries link welfare and employment to ascertain that economically active individuals are not wholly dependent on welfare. Scandinavian states also invest immensely in social welfare which South Africa cannot afford given its financial challenges. East Asian states, though, only turned their attention to welfare after they developed.

Data highlights (chapter 6) that developmental ideology can be usurped by various elements within and without the state. Therefore, political idealism - which abounds in South Africa, is insufficient to protect the State from neo-patrimonial, clientelist tendencies. The misnomer of being different from other experiences due to a liberation background was misleading, given the country's history with state corruption. This reinforces the discussion (chapter 4) about the importance of recognising the potential threat posed by corruption to developmentalism. Although Asian DS, and regionally Botswana, confronted serious corruption, they were successful due to their strong institutions. Critical to the establishment of DS in South Africa is to avoid overemphasis on corruption without investing in institutions.

Developmental Interventions and the Global Environment

South Africa's small domestic market depends on international markets and foreign capital for investment, like Mexico (Soederberg 2001). It is also subject to external headwinds outside its control (Loate, Pirozhkova and Viegi 2022:6). However, it possesses a large and strong financial sector (see chapter 6). South Africa's post-2007 development has occurred in an unpredictable environment, that is, GFC, climate change, Covid-19, and the Russia-Ukraine war. Interventions were complicated by conditions that led to the political settlement (see chapters 2 & 7) like global trade

agreements that democratic South Africa over-committed itself to even before it could govern (Steytler 1999; DIRCO 2022:21), thus both unfavourable and favourable to a developmental agenda. Against this worldview, state interventions align with Masina's (2006; 2012) characterisation of Vietnam, maintaining one leg in a developmentalist perspective and the other leg in neoliberalism, with a strong gradualist interventionist approach that steered it away from succumbing to the Washington Consensus.

As discussed previously (chapters 1 & 5), the State was weak in taking advantage of potentially favourable trade and financial conditions in the global markets created by the Russia-Ukraine war and continued hard lockdowns in China. Simultaneously, in trying to meet international commitments on decarbonising the economy, it unwittingly contributed to energy insecurity, impairing economic productivity and growth. It has, marginally, developed the green economy. During Covid-19 the State took advantage of the opportunity of developing vaccine manufacturing.

Overall, the situation reinforces two perspectives. First, that DS has failed to take advantage of global opportunities to entrench a developmentalist agenda (Fine 1999; 2013). Second, the importance of understanding the link between national and international realities, and the extent to which they advance or stunt developmentalism.

8.4 CAPACITY AND CAPABILITY OF THE STATE

The success of DS depends on the State establishing an institutional capacity with the ability to undertake the required tasks. Although this was recognised as critical to DS construction in South Africa, it was also the biggest challenge post-2007 (see chapter 7). The extent to which there was a weakening of the institutional fabric suggest either ignorance or malice. Underlying, though, were political and personal battles (sections 6.3 & 6.4). This reinforces Mthethwa's (2015) critique of the state post-2007, that due to lack of capacity and capability for macro-organisation, it is faced with immature inter-governmental relations and turf contestation across levels.

Lack of state-wide coordination, combined with the absence of synergy in policy and legislation reflected in key decision-making structures and departments, have

weakened policy implementation and effectiveness (section 7.2). The dissolution of PCAS – an effective coordination mechanism – corroded the emerging state capacity and capability to drive the shift towards the developmental agenda (section 7.2.2). This, therefore, raises the question of the extent to which the State fully comprehended DS implications. In this regard, South Africa’s experience of doing developmentalism detracts from experiences elsewhere, including the country’s colonial and apartheid governments, because they created pilot agencies to coordinate state-wide policymaking and implementation (see chapters 4 & 5). Simultaneously, the new structures aimed at leading the developmental agenda in the State were without the requisite legislative mandate and personnel (section 7.2.1). This suggests lack of foresight and thought process, as well as failure of pre-planning about the institutional design required. Policy changes in constitutional dispensations, unlike authoritarian and developmental regimes (see chapter 4), impose legislative alignment to create operational efficiency and effectiveness – including enforcement (Wilson 2019).

In terms of the bureaucracy, although the State comprises of qualified, skilled, and competent personnel, they are inhibited by different factors (section 7.3). The regulatory mindset constrains bureaucratic intervention and impacts the urgency needed for implementation. It contributes to an inability to develop and cultivate an economic perspective to policymaking (section 7.3.1). Consequently, actions are rule-based not performance focused, protracted instead of urgent, output-centric and not outcomes oriented. This reinforces Wilson’s (2019) assertions about the complexity of wanting to loosely apply Weberian principles without localising them, also focusing on constitutional systems that produce different sets of bureaucracies. This is apparent when the bureaucratic ethos and practice eschews the transforming developmental focus but becomes technicist (Tau 2015).

Work inexperience coupled with lack of exposure to industry and other types of work among state officials affects bureaucratic action and impact (section 7.3.2). The state is therefore limited when interacting with social actors that possess technical capacity. A bureaucracy lacking in confidence underperforms, evades acting. In addition, there is a stringent rule-based performance assessment system and accountability which, overall, result in underspending – usually referred to as wasteful expenditure. Political

interference is different to political management, the former creating fear and the latter providing coherence and direction, as respondents show (see chapters 6 & 7). Developmentalism can occur in circumstances of a political bureaucracy (see chapters 3 & 4). An overbearing Treasury further restricts the potential of the bureaucracy to rule, contributing to the absence of Mazzucato's (2022) "mission-oriented" State. The lack of interplay between developmental structures and the developmental role (Vu 2007), which includes the authority and technical capacity of the leadership of the State, resource allocation and developmental purposes is also a factor.

Compounding the above is fragmented public sector training, inhibiting the consolidation of the State's developmental orientation (section 7.3). This reinforces the fact of there being a de-link between ideology and capacity development (section 6.3), which contrasts with the pre-2007 (section 6.2) context. The Japanese and Chinese models demonstrate the importance of bureaucratic training, which is also about the prestige of the service (see chapter 4). The literature (see chapters 4 & 5) illustrates that State building, including attempts at its transformation, are often characterised by errors, emphasising the need to take a long-term view on the development of statecraft. In addition, in the construction of DS, it should be recognised that change will not be wholesale, but the impact of change should be palpable.

8.5 EMBEDDEDNESS IN SOCIETY

Labour and Broader Civil Society

State-society relations in South Africa show the State's penetration into the fabric of society, amidst conflict and participatory pluralism (chapter 7). Historically, these relations have always been fractious. The critical difference in the democratic era is that participation and plurality was engendered, including through legislation. This was a logical evolution of the relationships forged between the governing alliance and the movements that coalesced to defeat colonialism and later apartheid (section 7.5). Labour also struggled against class exploitation, because the conditions that sustained colonialism and apartheid through capitalist accumulation within the context of the MEC produced conflictual relations between business and labour. These conditions

also developed mistrust with the liberation movement that perceived business as a component of the exploitative and oppressive relations. Motivated by its policy outlook and its Scandinavian experiences, the ANC had sought to develop a corporatist and democratic model of state that is regulatory (section 6.2.1). These factors influence the State's ability to discipline social actors as it conceives and perceives them as allies. The opportunity of establishing the seniority of the State was missed when NEDLAC was established mainly because the governing alliance did not have consensus on suppressing labour. Here section 7.5 is reinforced by section 2.2. Sections 6.4; 6.5; and 6.6 show that the closeness between the Zuma administration and labour led to the state acquiescing to its demands. Similarly, the tendency of the post-2007 state has been to want to satisfy the interests of all civil society. This has inhibited channelling State investment to a clear priority to increase the possibility of constructing DS. In this regard, South Africa's experience differs from that of China, Singapore and Vietnam where, despite the state's historical alliance with labour, it has suppressed its partner for developmentalist purposes. Instead, it resonates with Mexico (4.7). Discord presents an opportunity to sections of society that are opposed to parts of transformation to use the regulatory framework to block change (section 3.3.3). This raises the vexing question, whether developmentalism is compatible with democracy or authoritarianism (section 3.3.4). Markedly, the South African experience differs from the capitalist, market socialist and authoritarian developmental states discussed in this study. While citizen participation in South Africa is conflictual, in the Rwandese model it is an essential and compulsory component for social cohesion and transformation.

Business

Different post-apartheid administrations have had different relations with business. The Mbeki administration developed better relationships with capital, as this study demonstrates, but there was accrual of advantage to capital interest without sustainable economic development and growth for the country (section 7.5). Regarding the post-2007 administrations the State has been ineffective in managing the relationship due to, among others, an anti-business posture and its capacity and capability weaknesses (section 7.4). Added is a combination of factors arising from the ANC's own relationship with capital, that is, historical mistrust, ideological constructs, and post-

apartheid economic alliances. Here, chapter 2 reinforced sections 6.2 and 7.5. Due to its economic strength, with its global footprint, capital holds the State to ransom and continues in its pernicious conduct. This was evident in capital's legal challenges to the Mining Charter 3 policies and the preferential procurement regulations, instead of that capacity and capability to support the developmental agenda. When capital participates, its attitude is to want to lead the State, something enabled by the State's own weaknesses.

Summary: State-society relations permeate the fabric of South African society on a statutory and non-statutory level (section 7.5). The racial and exclusionary policies, on one hand, and the suppressive character, on the other hand, of the colonial and apartheid governments created fractious relations that carried into the post-1994 period. These conditions necessitated developing state-society relations to support the developmental agenda post-apartheid. The relationships were, however, constructed on precarious foundations characterised by mistrust, contested power relations, and different alliances, affecting the potential for a consensual agenda led by the State. Existing centres of power create permanent conflict, complicated by the State's own internal challenges.

The radical economic transformation debate was tainted by white monopoly capital (WMC) sloganeering which tended to vulgarise a long-held theory of struggle, resulting in the usurpation of DS that manifest in state capture by erroneous individuals with access to the political elite. The outcome was the alienation of capital, including emerging black business. The post-state capture rapprochement with business and the assuaging of labour has failed to deliver its promised social compact.

State embeddedness is yet to create a common developmental agenda transcending protracted consultations that pass as participatory democracy (see chapter 7) and consultative processes that constrain societal transformation (section 7.5 in chapter 7) that result in conflict with economic development and growth. For example, litigation by single-issue movements and the green lobby adversely impacted investments in mining and energy by creating policy uncertainty. This shows the ineffectiveness of

the State to translate into unity and purposeful action the prevalent hegemony of developmentalism in society (section 6.5).

South Africa predominantly exhibits a fragmented embeddedness (Negoita 2018). A State highly embedded in all groups, each contesting power without outright dominance. The State is not autonomous from any of them, which contrasts with the character of a State capable of outwitting powerful social actors (Johnson 1982; Hobson 1999; Jalal 1995). South Africa is like Wylde's Argentina where

changing ideas and social relations ended up as policy designs to gain support of certain groups in a clientelist manner rather than foster a long-term support for the model. (2018:1126).

8.6 CONCLUSION

Mindful that Asian Tigers did not call themselves DS (Fine 2007; Weiss 2010), the aspirations for DS represent a unique, noble (Netshitenzhe 2010; Dlamini-Zuma 2021) and daunting task (Weiss 2010) for South Africa. The possibility of constructing DS exists despite the challenges (Dassah 2011). Using economic development and growth to legitimise the State imposes the imperative to possess the will and governance capacity to govern markets (Weiss and Thurbon 2004). It transcends policy interventions. It requires deliberate investment in a capable State, in how social partners perceive it (Wade 2005). Herein lies the State's conundrum, a hegemonic developmental agenda on one hand, a trust deficit because of, *inter alia*, state capture, on the other. As Booyens warned,

The one alignment of factors that could undo this nirvana of patience with the ANC in the face of delayed performance is the combination of corruption and a belief that the ANC had stopped caring about the people. (2015:87)

DS should develop within the context of the specific country attempting to develop it, cognisant of national conditions, the political and ideological dynamics underway and prevailing global challenges, while not resigning itself to these factors (Chang 2010). The State does indeed possess the capacity and capability to intervene, and to promote national interest through developmental policy but its disparate ideologies and personal interests present a distraction. It would appear evident that policymakers have not been powerless in the face of global dynamics (Weiss 1998) but lack courage. Developing DS requires a long-term, gradual approach, and the awareness that there will be successes and failures (Johnson 1982; 1987). South Africa's willingness to learn from other experiences will assist to avoid the trap of thinking that by mere pronouncements the task is done (Edigheji 2010). There is a need for flexibility, creativity, practical learning, intention to explore and experiment in the concrete environment of the local institutional framework (Evans 2004). South Africa, like other developing nations that seek to catch up in a changed global environment, recognises that transformation is an imperative but struggles with the pragmatism to undertake it. This aligns with Evan's (2014) argument that developing nations in the 21st century consent on doing away with the current global neoliberal economic situation but lack vision and appropriate strategies thereto.

CHAPTER 9

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

In seeking to examine the challenges of establishing the developmental state in South Africa post-2007, this study used the developmental state paradigm, DS. The conceptual framework is explained in chapter 3. Data was collected through interviews from a wide range of informants who were identified as appropriate contributors to the research. These were discussed in chapters 6 and 7, indicating a mixture of progress and regress in establishing DS. Some literature has concluded on the impossibility of DS by looking at the inhibiting factors (Van Dijk and Croucamp 2007; Habib 2008; von Holdt 2010; Potgieter 2012; Taljaard 2015) while others determined that DS exists because of the positive elements (Maphunye 2009; Gumede 2009; Gumede 2019; Craig 2017). For this study, the researcher followed Chang's (2010) ideas on "doing" DS, which present a flexible and pragmatic approach rather than a prescriptive one. In this context a descriptive model (Lucas Jr. 1978; Nassaji 2015; Loeb and Dynarski *et al.*, 2017) was used, applying the framework of the four attributes in the ANC's S&T (2007), and linking them with the features of DS. Leaning on Jayasuriya's (2001) concept of continuity and discontinuity, the study conceived attempts at DS post-2007 as a continuum between the past and present in the process of the transformation of South African society, where there is friction between past structures and new ones on a domestic and globalised socioeconomic reality. This chapter presents the findings and conclusion as well as offering recommendations.

9.2 OBJECTIVES OF THE STUDY

This study undertook an examination of the challenges of establishing the developmental state since the ANC's 2007 resolution. It assessed the implementation of DS using the four attributes of DS outlined in the ANC's Strategy and Tactics (S&T) (ANC 2007), reaffirmed in its 2017 national conference, where the core of what the governing party thought of DS is contained.

The study sought to clarify that while South Africa possesses the necessary ingredients to establish a DS, the construction thereof has encountered serious challenges such as leadership hurdles in the governing alliance and at the helm of the state, lack of state-wide coordination coupled with the fragmentation of the state structures and bruising ideological contestations. These elements, properly harnessed, can enable the effective development of DS and enable gains to be realised despite the prevailing unpredictable global environment.

The main research objective was stated as the development of an understanding of the challenges of constructing DS in the South African context. In line with this central objective the research sought to,

- Examine the commitment of the political leadership to do DS.
- Examine the institutional designed of the state in constructing DS.
- Examine both the capacity and capability of the bureaucracy, in terms of its role.
- Examine the nature of state-society relationships and how they impact the developmental agenda.

To do so, the research intended to answer the following questions:

- How did the political leadership of the South African state show commitment to developmentalism?
- Was the state structured to fulfil the desired goal of constructing DS?
- How was the bureaucracy positioned to realise DS objectives, in terms of its professionalism, autonomy, qualifications, skills and technical attributes?
- How were state-society relations structured to advance the developmental agenda?

9.3 SUMMARY OF FINDINGS

There was some indication that the idea of a developmental state was known and used quite frequently in the policy documents and speeches of ministries and departments. The State showed some commitment to shift from the pre-2007 neoliberal paradigm yet maintaining some of its interventions. However, it committed a major error in the

dissolution of the central coordination apparatus. This resulted in a gap between ideation and the construction of DS statecraft, that is, in terms of the mindset that prevails in the State, how institutional structures and interventions are designed, the effective use and deployment of resources, the bureaucratic capacity and capability, and the harnessing of the prevailing hegemony of developmentalism throughout society. Added was the vexing question of ideological differences in the alliance, which are yet to coalesce. The situation was further complicated by global crises that had direct impact on economic development and growth in South Africa. Combined, these challenges have inhibited the effective establishment of DS in South Africa.

9.3.1 Lack of Effective Leadership

The post-Polokwane administrations, in contrast to the predecessors, bequeathed a disparate leadership and a fragmented State, less capable of cultivating existing national attributes to construct DS. Its leadership has demonstrated ineffectiveness that impaired the possibility of a deliberate doing of developmentalism. It failed to provide a cohesive, visionary, deliberate and decisive authoritative focal point for establishing DS. Instead, what has preoccupied the State and society were ideological conflicts, protracted consultations, and corruption, among others.

Arguably, the Zuma administration was an inattentive authority. It was decisive, provided vision through the NDP. While demonstrably committed to DS it lacked a holistic grasp of the detail of state development, particularly the technical aspects. It also compromised in favour of the logic of party unity, thereby weakening the resolve for DS, for example, not acting on the Treasury, delivering a different NPC, and not dealing with the warring ideological factions it had appointed to the State. Due to its weaknesses, it fell prey to state capture wherein direct state intervention and DS were usurped by a corrupt political elite. The Ramaphosa administration, arguably, has a remote, if not absent, style of leadership, that avoids decision-making through protracted consultative processes. Critically, a disparate state characterised by a *laissez-faire* environment where ministers spoke and acted at will, even contradicting policy, which began under the Zuma administration, continued unabated and escalated. Lobby groups and interests derailed the developmental mandate and agenda because their ideas came to dominate discourse at the leadership level rather than agreed state

policy. Ramaphosa, like Zuma, instead of leading developmentalism, propagates external ideas.

This study has proposed that the neoliberal ideology that prevailed in the pre-2007 administrations was not coincidence or a servility to powerful external forces. It was a consequence of a strong leadership, tenacious to engender it throughout, convinced it would lead to economic development and growth. The Presidency was the authority at the helm of implementation, acting as a reference point for accountability and insulation of the implementing structures. The political leadership at the core of it were also technically astute. These attributes are not in evidence post-2007.

9.3.2 Prevalence of a Regulatory Mindset

South Africa operates on a multipronged interventionist approach that is characterised by development, welfarism, and regulation. Developmentalism is only infused into the policy language of the State, but a regulatory framework mostly dominates, led through the Treasury's PFMA. Thus, an overemphasis on the MTSF, which are budgetary processes, not central planning that derives from the NDP. Hence a mindset where developmental policy priorities are secondary to budgetary constraints.

Departments too, in how they operate, use the legal framework as a tool to mediate the various needs of the different stakeholders. In most cases, state actions are determined by the regulatory framework, that is, on issues of transformation, stakeholder participation, and infrastructure investment. Following rules is the criteria for performance and success and explains the emphasis on compliance and APPs.

The state is not infused with a mindset of accelerating the economy to meet the needs, to manufacture and compete globally. The challenge, however, is not the regulation *per se* but the adoption of a minimal state stance. This constrains state intervention, reflecting the lack of a strong statist ideology. Consequently, economic development and industrialisation become secondary, leading to a diminishing entrepreneurial and innovation element in the State.

9.3.3 Lack of State-Wide Coordination, Synergy, and Implementation

Lack of coordination remains the single greatest challenge in the State, from the Presidency through to departments. The Presidency has multiple structures with different functions, except for coordinating policy, including to synergise the work of government for effective state-wide implementation. The result is discord and lack of harmonising policy areas and regulation. Linked to this is the absence of a central planning mechanism, led by the president or a trusted minister or a state official with the requisite gravitas, which can pull together all these activities and functions to enable prioritisation and resource allocation. This will make Treasury to disburse resources to meet the developmental policy priorities outlined in the plan, as opposed to its current process.

Departments operate in silos, which often leads to misalignment between policies and to multiple and contradictory approaches in content and application. Where attempts were made to resolve these challenges there lacks a common understanding about the focal point of economic development.

Implementation in the State is fragmented. Each unit and department develop their own plethora of activities, which are suitable to them in line with the MTSF, PFMA and APPs. These are not derived from a common plan to meet specific goals and deliver specific outcomes. Where reference to the NDP is made, it is mere words convenience. Consequently, there are individual departmental action plans that contradict and add little value to the DS policy and implementation approach.

9.3.4 Lack of a Developmental Bureaucracy

The State possesses a cohort of highly qualified and competent civil servants. However, their competencies do not necessarily, or to the requisite degree, align with the position to which they are deployed. The situation is exacerbated by politically motivated appointments instead of meritorious ones. Often at the apex of the State, the senior officials lack the ability to lead, manage and execute its programmes.

The State, at different times before and after 2007, lost capacity and capabilities that would have enabled developmentalism. This created a two-tier system where such attributes are external to the State, hence the reliance on consultancies. Officials lack

technical expertise to understand the legislation and lack confidence to stand shoulder-to-shoulder with their private sector counterparts. Additionally, since most officials are entry level employees, they lack the experience to do what is expected like policymaking and its application and, critically, knowledge and understanding of policy remains a lacuna. The inability to appreciate how particular policy or legislation inhibits economic development or contributes to its incompleteness creates uncertainty that leads to an unfriendly investment climate.

A culture of fear had developed among State officials because of lack of autonomy. This impacts on the ability of officials to act with confidence, without fear of making mistakes, which is a necessary part of learning. Corruption and the state capture narrative have rendered official action unduly cautious and created mistrust between the State and society.

9.3.5 Ideological Contestation

The governing alliance after Polokwane was not cohesive in its leadership of the state and the new policy direction adopted at the conference. There were bitter rivalries among those who occupied the echelons of state power and those outside. Although a shift in policy had occurred, advocating state intervention and greater state participation in the economy, the implementors between conference and coming to power of the new contingent after 2009 were market-oriented individuals who believed in the language of fiscal prudence. This dichotomy would continue even after 2009, thereby stifling the possibility of embarking on large scale investment in infrastructure. Attempts to reclaim the space came with the second phase of the transition for radical economic transformation³¹. The differences found expression in extreme anti-capital views that contributed to the vulgarisation of the concept of monopoly capital, referring to it as white monopoly capital. In the process, there were losses of the calibre of individuals who could assist in statecraft.

³¹ This was the theme that emerged at the ANC's National Policy Conference in July 2017, and was recommended to the national conference in December 2017, as the way to characterise that moment in the post-apartheid situation. The mood was that economic change for the majority had not occurred enough, it must be fast-tracked. Post-2017 this would be used to refer to a faction in the ANC – called RET – opposed to the Presidency of Ramaphosa that was termed white monopoly capital (WMC).

Such conflict spilled over to the state and state relations with capital specifically. There was an investment strike as a result. Ideological contestation left the state moribund, in a stalemate mode. Attempts to resuscitate these contestations after Zuma's tenure, with insinuations that his successor was part of, or a tool of, the so-called white monopoly capital, have morphed into different factions. However, they continue to pose a danger to the doing of developmentalism if not contained by the ANC.

9.3.6 Lack of an Embeddedness for Developmentalism

The challenge of the state's embeddedness is not the absence of a hegemonic project but the lack of acumen to deliver on existing consensus. The trust deficit that between the state and the private sector is borne of historical challenges that were never resolved. Hence engagements continue at a superficial level. Therefore, lack of focus on pragmatic things to enable the private sector, with the leadership of a state that is not overbearing, to invest in areas that will stimulate growth and contribute to economic development. Coincidentally, these institutions do well together at moments of crisis, like the global financial crisis and the Covid-19 pandemic. The relationship forged at these moments is, unfortunately, not sustained. Integral to the challenge is a State that is unable to discipline social actors but wants to pander to everyone of their needs and interests. Another challenge is that neither side knows the other well enough, thus creating gaps in communication and action.

9.4 CONTRIBUTIONS OF THE STUDY

What this study contributes is the recognition from within the ANC and its alliance partners of the serious challenges the party has encountered and continues to experience in constructing DS in South Africa. It exposes the awareness of leadership and institutional deficits in the party which impact the state that must be overcome for DS to be effectively established. It is the admission by these officials that the post-Polokwane regimes have conferred on South Africa a disparate leadership and a fragmented state, characterised by a lack of knowledge and understanding of effective government. Therefore, recognise that, from the onset, the ANC was not ready to govern. This is informed by analysing policy documents on DS in South Africa, also the views of senior ANC and government officials on these challenges. The study

contributes to knowledge by assessing the trajectory of DS in South Africa after the Polokwane national conference's commitment to it.

9.5 CONCLUSION

The South African state is aware of, and committed to, the transformation of society, or developmentalism. Its actions represent an attempt at doing DS, coupling elements of neoliberalism with state intervention but without the deliberate and conscious effort to achieve the desired developmental outcome. The challenge is finding appropriate and pragmatic formula to weave together the interventions and processes, also address the conflicting ideological influences that constitute the governing party. These factors are not adequately negotiated, hence fissures in outlook and application. Simultaneously, although there is commitment to construct DS, the clarity on how to undertake it effectively and the deliberateness required remain elusive.

The country has made progress in some respects. It has also regressed in others. Often focus is given to the challenges rather than strengthening the elements that work, especially in an international environment that is subtly hostile to developmentalist efforts, dominated by private global markets not states, and less inclined to global universal solidarity. These are compounded by global challenges like climate change, migration, pandemics, and similar.

A deliberate and determined construction of DS requires that the governing ANC develops leadership capacity and capability to create strong future-fit leaders that are “nagging all the time and unreasonable” (Ho 2021). A redesign of its present structures is critical for it to qualitatively interact with and impact positively on the state. Its leadership of state should exhibit embodiment of the developmentalist ideology, exerting its authority to drive it throughout the state and society. The role of the governing alliance is demonstrably important in enabling or inhibiting the construction of DS. Change there is necessary to improve statecraft and the development of cohesion in the state and society.

Leadership is a critical attribute in the state. It provides authority and vision to the state and society. It must be determined and have the tenacity to see the developmental programme through. Integral to the exercise of authority is the imperative eradicate existing state fragmentation by creating state-wide coordination under the leadership of the president. Assumedly, the president will demonstrate decisiveness and the courage to act. The Mbeki and the Smuts eras, respectively, with their state-wide coordination and policy implementation structures, provide good examples. An overall guiding strategy to navigate challenging moments nationally and globally is necessary if the objectives are to be attained. It should be pragmatic, devoid of the trappings of politics and ideology, without discounting their role in the domestic and global discourse and practice.

The state has demonstrated its commitment to economic development and growth. The interventions are good examples thereof. They also demonstrate the weaknesses of lack of coordination, lack of investment in developmental policies and programmes, to derive the desired benefits. The state will need to develop a balance between consumption and economic investment matching a developing country like South Africa with a small domestic market. The ability of the country to adapt in a changing and unpredictable global environment will enable it to take advantage of emerging opportunities, attract investment and technology developments to increase its comparable advantage, and strengthen its global competitiveness.

Although state institutions came under immense pressure, internally and externally, because of factors arising from the leadership and those created by state capture, they have demonstrated resilience. This reinforces the argument made in this study that central to the success of DS is investment in state institutions and their capacity.

Critically, the mindset in the state should shift away from over-emphasis of regulation towards a developmentalist mindset. The capabilities in the state should effectively use the developmental regulatory framework to achieve economic development and growth as opposed to merely acting as a mediator. Available skills should be developed and improved to ensure effectiveness in planning, coordination, and implementation. Of importance will be the exposure of bureaucrats to the world of work to learn and

be afforded the autonomy to initiate action and innovate. They should learn to work across sections inside the departments and to function across departments. The leadership and management of departments is critical, both in terms of competencies and in understanding developmentalism.

There is sufficient consensus in South African society on the need for economic development and growth as part of societal transformation. The State must harness this consensus for implementation of clear and established priorities. Key institutions in society, especially business, should be vested with the intention to do developmentalism. The state should be open to innovative surprises that might arise from private sector initiatives.

The South African developmental state continues to be forged in ever-changing conditions, both at home and abroad. As Weiss (1998) notes, states are continuously exploring different policies and interventions for economic development. Attempts at establishing it suggest that it can be achieved if those in charge of the project are deliberate, provide cohesion and build strong structures for planning, coordination, and implementation. The project is merely at the beginning of its critical trajectory.

9.6 AREAS OF FURTHER RESEARCH

An area that requires exploration is the role of the constitution in developmentalism or *vice versa*, what the study considers to be constitutional developmentalism. This could impact jurisprudence as well as how the various arms of state define their roles in a globalised environment, where nation-states have almost ceased to exist, and their national constitutional structures are “overrun” by international institutions like the World Trade Organisation.

9.7 RECOMMENDATIONS

9.7.1 Leadership

In the state,

- The leadership must be deliberate about doing DS.

- Invest in an integrated theoretical and practical leadership programme, to improve effectiveness, decision-making, and the ability to identify and exploit existing opportunities.
- Develop a leadership research programme to investigate critical interventions needed for South African developmentalism.

For the ANC,

- To develop capacity and capability in the party, before deployment to senior positions, select educated, qualified, politically astute and knowledgeable members, for exposure to a range of institutional experiences nationally and globally
- Establish a central party school to systematise training, develop and produce an elite leadership core for party and state.

9.7.2 State Ideology

Develop a developmental mindset by investing in the orientation of state officials. Primary emphasis should be economic development and growth, not regulation. Focus must be on doing to create an entrepreneurial, innovative and pragmatic state. National interest must serve as the initial facilitator and catalyst for intervention. State intervention must be freed from political and ideological binaries.

Develop an Act of Parliament for developmentalism,

- That is specific about state intervention and under what circumstances.
- That directs the financial sector to invest in developmental programmes.
- That aligns the various monetary and fiscal policy instruments with industrial and competition policy, DFIs and SOEs.
- That sets conditionalities for state support for industries and sectors.

9.7.3 Centralised planning and coordination

- The state should intervene in the economy through a combination of developmental bureaucracies and developmental networks.
- Maintain the NDP as a broad vision document, reviewed every ten years.

- Establish a state-wide coordination, planning and implementation mechanism, led by the president or a senior official with gravitas. It should have the necessary statutory powers to act across state functions.

Task the state's planning agency to:

- Provide a developmental plan with the following elements: one or two priorities; linkages with various policy instruments for alignment; phases for intervention and timeframes; resource allocation.
- Develop a short and precise implementation process, from initiation to execution, to circumvent the lengthy regulatory process, that includes:
 - Careful attention to the profile of the population for massive labour absorption outcomes.
 - Treasury should enforce discipline on budget and priorities, in line with the agency.
 - Revise the MTSF-based planning cycle and resource allocation to experiment with zero budgeting and evaluate its workings and impact.
 - The FOSAD structure should be used to develop and ensure interdepartmental alignment of policy to engender synergy.

9.7.4 Policy

Institute a compulsory and rigorous training programme on the theory and practice of policy and policymaking for all senior management officials.

9.7.5 Develop capacity and capability

Institutionalise and centralise public service training. Make it compulsory for all new entrants, with regular refresher courses for long serving public servants. Ensure experience and talent development,

- Through work-based training in complex, cross-cutting activities at various learning levels inside the departments.
- Departments and private companies should collaborate on work-based training, like exposure via internships and secondment to private entities.
- Use continental and global exchange programmes to learn best practice, combining academia and work in the broad public service profile.

9.7.6 Relationship with social partners

Develop a symbiotic partnership with the private sector where the state's leadership is not overbearing. To avoid capture of the state, consolidate existing formal and informal networks.

Review and amend the stakeholder consultative process and appeals, such as,

- Reducing the public consultation process.
- Minimising process for legal appeal to within a month, without extension. Where development initiatives might pose risks to environmental sustainability, implementation should proceed while mitigating alternatives are considered, and enforced once agreed to.

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APPENDICES

APPENDIX A: RESEARCH PARTICIPANTS

Informant	Sector	Gender	Race	Interview Date
ANC NEC, Former Snr State Official Presidency & NPC	Politics & Policy Research	Male	African	20/08/12 20/09/...
ANC, Former NEC & Cabinet	Business	Male	Coloured	20/08/12 20/09/29
ANC Official, Former NEC	Politics	Female	Coloured	20/08/20
SACP/ANC, Former NEC, Politburo & Cabinet	Politics	Male	White	20/08/24 20/09/03
SACP (Politburo)	Politics	Male	African	20/07/22
COSATU (NOBs)	Trade Unions	Male	African	20/09/23
COSATU (CEC)	Trade Unions	Male	White	20/09/14
Former Snr State Official	Academia	Male	White	20/08/06
Director General	Government	Male	African	20/08/17
Former Deputy Director General	Academia	Male	White	20/08/07 22/01/11
Deputy Director General	Government	Female	African	20/08/11 20/08/11
Deputy Director General	Government	Male	Coloured	22/01/18
Deputy Director General	Government	Male	African	22/01/17
CEO, Former Deputy Director General	SOE	Male	African	20/08/01 22/01/11
CEO	SOE	Male	African	22/01/13
Former Head of Strategy, Eskom	SOE	Male	White	22/01/06
Middle Manager, Eskom	SOE	Female	Coloured	22/01/04
Executive VP (SA MNC)	Business (Energy)	Female	African	20/10/23
Managing Director (Intl MNC)	Business (Mining)	Female	African	20/10/22
Executive VP (SA MNC)	Business (Energy)	Male	Coloured	22/01/13
CEO (SA MNC)	Business (Mining)	Male	African	20/07/21
CEO (Business Umbrella Body)	Business	Male	Indian	20/09/10
CEO (Industry Umbrella Body)	Business	Male	White	20/08/17 20/08/19
Director of Companies	Business	Male	White	20/10/21
Expert, Former DG	Government	Male	White	20/08/28
Expert, Former DG & Ambassador	Government/Business	Male	African	20/07/04
Presidential Economic Advisory Council (PEAC) Member	Consultancy	Female	African	21/12/13
NPC Commissioner	Consultancy	Female	White	20/08/11
Managing Director (Intl MNC)	Business (Energy)	Male	African	20/08/24

High Commission (to RSA)	Government (Diplomacy)	Male	African	20/08/05
Editor-at-Large	Journalism	Female	White	20/08/17
Consultant, former Journalist	Business	Male	African	20/08/27
Economist, Government Advisor & ANC economic policy	Consultancy	Male	African	22/01/17
Economist, former journalist	Consultancy	Male	African	20/08/26 22/01/12
Editor	Journalism	Male	White	20/07/20
Head of Business School, Former Business Executive	Academia	Male	African	20/08/25

APPENDIX B: INTERVIEW GUIDELINE

GUIDELINE QUESTIONS FOR ALLIANCE & CIVIL SOCIETY

What was the motivation behind the concept of the DS in SA?

What instruments were put in place to realise the DS?

How did they work and fare?

What was the approach to policy implementation?

What is the capacity of the bureaucracy to implement policy and interact with social actors?

How do social actors relate to the state, and how is their participation – if any, in policy?

What is your overall assessment of DS in SA since 2007?

QUESTIONS FOR STATE OFFICIALS

1. How would you explain the concept of the developmental state as pronounced/professed by the Governing Party?
2. How is the developmental agenda manifest in the work of the Department and Government generally?
3. What, if at all, is the relationship between the policy position and the day-to-day operational activities of the Department?
 - For example, how does the budget - its processes and priorities - link with or advance the developmentalist agenda?
4. How are the structures, systems and processes in Government designed to ensure or enable developmentalism?
 - For example, coordination between various departments, especially where there are common interests.
5. What would you say is the level of skill, knowledge, expertise and experience in the State to implement Government's developmental policy?

- There's a view attributed to the Minister of Finance that, there is a lack of capacity to execute at the apex (that is, DG Level) of the State. True?

6. How does the bureaucracy (DGs/DDGs) and the political (Minister) relate?

- For example, does the latter give instructions or is the former independent of the latter? Decision making?

QUESTIONS FOR THE PRIVATE SECTOR

How would you explain the concept of the developmental state as pronounced/professed by the Governing Party?

What is the relationship between the private sector and the state?

- For example, what is the level of trust?

How does business and bureaucracy work together?

- For example, do you participate, or not, in in the formulation and implementation of policy?

What are the enablers and/or impediments to investment, industrialisation, and economic growth?

What is or should be the level of state involvement in ensuring growth?

– either controlling, or direct, or non-involvement

What your overall assessment of state-business relations in the last ten to eleven years?

What would be the four/five key interventions the state can make in terms of its relationship to the private sector, to lead to economic growth and development?

QUESTION FOR THE NPC

How would you explain the National Planning Commission, that is,

- what it does and how

How does it relate to the state?

- For example, in terms of programmes, The Presidency, key departments like Economic Development (sector investment & growth), Trade & Industry (industrial policy), Treasury (budget) – fiscal & monetary policy

How, practically, does it link to the NDP?

What have been the National Planning Commission's

- Strengths & weaknesses and
 - challenges (since its establishment)
-