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Introduction

As indicated in Chapter 1, this book has been informed by the notion of developmental state. It is therefore apt that its conclusion discusses the extent to which South Africa could be characterised as a developmental state. As already indicated, the concept of developmental state is associated with socio-economic development in Asian states, such as the Republic of Singapore, Malaysia, South Korea and Hong Kong. The socio-economic rise of countries like Singapore and Malaysia was largely premised on the fact that these states were able to socio-economically develop to very high levels due mostly to their economic policies, government institutions and pragmatic leaders. There are those, however, who argue that the notion of developmental state dates farther back than the rise of Asian economies, and even that some of the countries in the early years of political independence had aspects of developmental states. Bagchi,³⁷⁵ for instance, suggests that modern-day Netherlands (formerly northern parts of the Spanish Netherlands) epitomises the first 'developmental state' which emerged in the sixteenth century while Mkandawire³⁷⁶ has argued that some countries in Africa during the early years of the post-independence period could be viewed to have been 'developmental states'.

The post-1994 South African government became attracted to the notion of developmental state, influenced by experiences of the Asian countries mentioned above as well as some Scandinavian countries. Although South Africa explicitly stated, in 2007 in particular, that it aspires to be a developmental state, the desire for a developmental state in South Africa dates back to the 1955 Freedom Charter and later the 1992 Ready to Govern discussion document of the African National Congress and its Tripartite Alliance.

This chapter begins with a brief discussion of the concept of developmental state, followed by the strides South Africa has taken towards attaining this goal. It

concludes with a discussion of policy options that can assist in addressing the socio-economic challenges that face South Africa twenty years since the dawn of democracy, so that South Africa can truly become a developmental state.

South Africa and the Developmental State

As indicated earlier, the developmental state concept has come to be identified with the rise of Asian states, in terms of high economic growth and ability to deliver societal development for their citizens during the early 1980s and late 1990s. The ability of Asian governments such as South Korea and Japan to formulate economic development policies that (a) coordinate government institutions and human capital development; (b) direct private sector investment and planning; and (c) have citizen and societal buy-in or trust, even if undemocratic decisions are taken; came to characterise the Asian developmental states.³⁷⁷ Chapter 1 – Introduction – presents different scholars' views on the concept of 'developmental state'. For instance, Chalmers Johnson, who is said to be a pioneer on the study of developmental states, analysed the socio-economic development in Japan and characterised the country as a developmental state.³⁷⁸

As indicated in Chapter 1, a developmental state can be defined as 'a state that has prioritised economic development in its policies, designing policies that effectively enable the promotion of such a goal.'³⁷⁹ This definition captures the essence of what has come to be known as the main characteristics of a developmental state, that is, placing socio-economic development at the core of its agenda through the use of pragmatic policies and institutions in partnership with other role players.

Among the main characteristics of a developmental state are:

- developmental ideology
- developmental elite
- embedded autonomy
- institutional capacity
- meritocratic recruitment
- insulated/neutral public servants

Developmental ideology has to do with views and perspectives that prioritise socio-economic development while developmental elite implies a political elite, in particular, that considers socio-economic development very important. Embedded autonomy, a phrase coined by Peter Evans, refers to a context where the government works with the rest of society but is still able to be autonomous so as to take informed and independent decisions. Institutional capacity refers to various capacities needed to successfully design and implement policies shaped by a long-term socio-economic vision. Meritocratic recruitment means that people

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that get employed in government are recruited on the basis of merit or their skills and training. Lastly, insulated or neutral public servants imply that those employed in government can be politically neutral or that politicians do not victimise them in instances of disagreements.

The success of the Asian developmental states as epitomised by (a) the rise of living standards of numerous citizens in South Korea, Singapore and Taiwan; (b) development of Asian companies such as Samsung, Sony, Toyota, and so on; and (c) high human capital development and innovation³⁸⁰ has had a profound effect on how the first democratic government of South Africa, under the guidance of the African National Congress (ANC), came to be drawn into the notion of developmental state as a worthwhile concept to pursue.

Although the ANC mentions its desire for a developmental state in many documents before 1994, one of the clearest examples of the ANC's attempt to pursue the path of becoming or experimenting with the concept of a 'Development State' is found in its *2007 Strategy and Tactics*. The document indicates that the ANC intends to:

... build a developmental state shaped by the history and socio-economic dynamics of the South African society. Such a state will guide national economic development and mobilise domestic and foreign capital and other social partners to achieve this goal. It will have attributes that include: having the capacity to intervene in the economy in the interest of higher rates of growth and sustainable development; effecting sustainable programmes that address challenges of unemployment, poverty and underdevelopment with requisite emphasis on vulnerable groups; and mobilising the people as a whole, especially the poor, to act as their own liberators through participatory and representative democracy.³⁸¹

The drive to make South Africa a developmental state also needs to be understood as different from the Asian experience,³⁸² in that it occurred in the context of a post-apartheid environment. Therefore, the developmental state of South Africa had to be constructed in a manner that takes into consideration the country's democratic aims and objectives. Mkandawire³⁸³ explains that Asian developmental states worked and functioned due to their unique historical circumstances. In fact, Castells³⁸⁴ identifies three cultural areas in the case of East Asia: the Japanese communitarian approach, the Korean patrimonial logic and the Taiwanese patrilineal logic. A case study exhibiting this point is the developmental state of Japan, which Johnson³⁸⁵ explains was a 'plan rational state', where the state shaped economic development as it intervened in the development process and established substantive social and economic goals.

The point that Castells³⁸⁶ makes is important in understanding the South African developmental state initiative. Castells³⁸⁷ implies that, even in Asia, a developmental state comes about and exists within a particular context or circumstance. The issue of context and circumstance thus becomes very important in analysing any country, whether it is a developmental state or not. Edigheji³⁸⁸ explains that South Africa, unlike certain Asian developmental states, has had to contend with numerous contexts and circumstances, the two most pressing being its historical racial circumstance and the ethos and operations of its constitution, which prizes democracy and human rights. The South African context, according to Edigheji,³⁸⁹ suggests a creation of a 'democratic development state' which principally embodies the following four principles: electoral democracy, popular participation in the development and governance processes, economic growth, and state driven socio-economic development.

The long history and numerous complexities associated with the notion of 'developmental state' means that every country has attempted to implement it in one way or another within specific circumstances and contexts. The South African government, under the auspices of the ANC, has had to contextualise and attempt to pursue a developmental state against its unique democratic principles, as Edigheji³⁹⁰ explains.

Political Economy Interventions

This chapter as a conclusion merely highlights the various initiatives and interventions pursued towards creating a democratic developmental state in South Africa because Part II of the book has already covered many relevant issues in detail. The circumstances and context in which the democratic government of South Africa found itself had to do with numerous challenges, such as gross racial inequality, poverty, low human capital development, end of the Cold War, rise of the doctrine of liberal economics and a bankrupt economy. Because many initiatives have been covered in detail, especially in Part II, this chapter only briefly presents some of the major policy and or programmatic interventions that were meant to assist in the creation of a South African developmental state.

Reconstruction and Development Programme (RDP)

This intervention attempted to create a developmental state in a uniquely South African manner. Like most developmental states, the Reconstruction and Development Programme (RDP) aimed to use the state to achieve economic development and societal change. As Terreblanche³⁹¹ explains:

The RDP originated in an attempt by labour to produce an accord that would tie a newly elected ANC government to a labour-driven development programme...

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the RDP envisioned as priority at the beginning to meet the basic needs of people: jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, healthcare, and social welfare.

The RDP intended to create an institution that would attempt to ensure its implementation. According to Webster and Adler,³⁹²

... the RDP soon became the paradigm within which all development policies were to be discussed – an extended wishlist in which the homeless, the landless, workers, and even international bankers could take equal comfort. From 1994 to 1996, the RDP became ostensibly the guiding document of the Government of National Unity, located in an RDP Office within President Mandela's Office.

Even though the RDP did not remain as South Africa's key socio-economic development programme, it introduced the blueprint that served as a guide for subsequent socio-economic policies in South Africa, namely: government-driven economic development policy process, establishment of policy implementation institutions, and prioritisation of economic development, to effect societal change.

Growth, Employment and Redistribution Programme

The economic policy following on from the RDP was known as the Growth, Employment and Redistribution Programme (GEAR). It attempted to deal with South Africa's macro-economic context in a rather sophisticated and technical manner. As Visser³⁹³ explains:

In order to calm domestic capital and foreign currency markets, the government embraced a conservative macro-economic strategy – Growth, Employment and Redistribution (GEAR). It was developed by a technical team of 15 policy makers that comprised officials from the Development Bank of Southern Africa, the South African Reserve Bank, three state departments, academics and two representatives of the World Bank.

Despite GEAR slanting towards having a reduced role for government, it attempted to use the private sector in much the same way as the Asian developmental states did. This paradox or problem is captured in Visser:³⁹⁴

... perhaps the most important difference between the RDP and GEAR was that, while the former expected the state to conduct a people-orientated developmental policy, the latter saw South Africa's economic 'salvation' in a high economic growth rate that would result from a sharp increase in private capital accumulation in an unbridled capitalistic system. The government's task in this was to refrain from economic intervention and concentrate on the necessary adjustments that would create an optimal climate for private investment.

While GEAR as a policy framework can be said to have been a counter to the state-driven developmental state model, as witnessed in Asia, it needs to be remembered that the private sector in South Africa was envisioned by the very state itself and that the private sector was also seen as critical by Asian developmental states.³⁹⁵ The major problem that the South African government of the ANC can be said to have run into is that it allowed the private sector too much power and privilege without guiding it accordingly.

Industrial Policy Action Plan

The later rise of Asian developmental states such as the Peoples Republic of China (PRC), which came to the fore in the late 1990s due mostly to its becoming ‘the manufacturing factory’³⁹⁶ of the world, inspired South Africa to attempt creating a developmental state premised on the country’s industrial policies. The lead agent in attempting to ensure this has been the Department of Trade and Industry (DTI), through its Industrial Policy Action Plan (IPAP) which has undergone five stages of development. The DTI explains that:

The overriding goal of the IPAP in this policy context is to prevent industrial decline and support the growth and diversification of South Africa’s manufacturing sector. The balance of international evidence is that manufacturing is the engine of growth and employment of all economies that have achieved high gross domestic product (GDP) and employment growth. Manufacturing can generate significant job creation directly as well as indirectly in a range of primary and service sector activities.³⁹⁷

IPAP therefore can be seen as further evidence that the democratic government still views itself, and wants to be seen, as an active and real developmental state.

New Growth Path

In order to achieve the New Growth Path’s stated goals and objectives a standalone ministry known as the Ministry for Economic Development³⁹⁸ was set up. Through the New Growth Path (NGP) the government intended to amalgamate South Africa’s previous economic development policies and produce an all-encompassing economic vision for the State.³⁹⁹ The NGP⁴⁰⁰ explains that it will...

... place jobs and decent work at the centre of economic policy. It sets a target of 5 million new jobs to be created by 2020. It sets out the key job drivers and the priority sectors that we will focus on over the next few years. It is based on strong and sustained, inclusive economic growth and the rebuilding of the productive sectors of the economy. Infrastructure development in particular is a foundation for creating more jobs and addressing rural under-development.

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The overarching goal of the NGP can be said to be consistent with the aspirations of the ANC's *2007 Strategy and Tactics* document in that it still desires the South African state to become a functional developmental state and sees the economic development benefits of previous developmental states as being the only way in which South Africa can overcome its socio-economic problems.

National Development Plan

The vision of the National Development Plan (NDP), 'Vision 2030', though not a clear policy document, is the South African government's attempt to coordinate its planning processes in order to better achieve economic development. It aims to replicate some of the core characteristics of previous developmental state by (a) producing more science and engineering human capital; (b) having a single ministry coordinate planning in government; (c) leading both public and private sector dialogue and planning on economic development; and (d) creating policy unity/cohesion between the IPAP, NGP and other related government economic development policies.⁴⁰¹

The National Planning Commission (NPC) explains that the NDP's central goals are:

... expanding employment and entrepreneurial opportunities on the back of a growing, more inclusive economy. This will require far greater commitment to deepening the productive base, whether in agriculture, mining, manufacturing or services. By 2030, South Africa should have a more diversified economy, with a higher global share of dynamic products, and greater depth and breadth of domestic linkages. Intensified stimulation of local and foreign markets will be needed, as well as strong conditions to promote labour-absorbing activities. Traded activities will act as a spur to growth, as will active stimulation of domestic opportunities and the linkages between the two.⁴⁰²

The NDP could be said to be South Africa's first real attempt at planning for a developmental state that has many of the technical attributes found in other developmental states like Singapore and Japan. One of the most important technical attributes the NDP has is a Planning Commission, which in theory is said to coordinate the planning aspects of economic development policy in most developmental states.⁴⁰³ It will, therefore, be interesting to note whether the South African government's NPC will be able to replicate the success of the Singapore Planning Commission, or even the Indian Planning Commission, in how they were able to steer economic development process in their respective nations.

Pursuit of a Developmental State

The goal of trying to become a developmental state can be said to exist in part due to South Africa's colonial and apartheid history, more poignantly the effects of these two catastrophic events in history. The Asian developmental states have not only brought coordination to how states like South Korea, China and Singapore plan economic development but they have also assisted in ensuring their respective populations move from being formerly poor nations to middle income nations⁴⁰⁴.

As Fritz and Menocol⁴⁰⁵ explain:

Success stories of developmental states in Asia provide powerful symbols, showing that poor countries can become considerably wealthier in a generation or two. Turning Malawi, Kenya, Bangladesh or Nepal into prosperous, well-governed countries may remain a daunting challenge, but the vision of such a trajectory is potentially a powerful one, which may indeed have a broader appeal and greater traction than one focused narrowly on 'poverty reduction'.

South Africa, since 1994, has pursued numerous initiatives aimed at making the country a developmental state. Of course, a South African developmental state cannot be exactly as any of the Asian developmental states because of many differences in circumstances and contexts. It might be still too early to conclude, firmly, whether South Africa would become a fully-fledged developmental state.

Way Forward

South Africa requires a new mix of policy instruments that would ensure that the economy grows substantially and, most importantly, creates jobs. In other words, over and above robust social policy, South Africa needs an economy that works better for society – not a society that adjusts to the so-called needs of an economy. To achieve this, South Africa needs to be an agile and capable developmental state. South Africa's greatest threat would be government and policy failures to transform the structure of its economy. The question of structural transformation of the economy therefore remains central to the debate on its developmental trajectory.

Chapter 4 discussed the structure of the South African economy and indicated what is involved in changing the structure of an economy. The South African economy has, in the recent past, been the main obstacle to social and economic transformation on two levels. First, its structure has remained relatively unchanged from the predominantly Mineral Energy Complex (MEC) bias as well as in terms of ownership patterns. Second, the economy, after stabilising in the 1990s, has not been able to emulate those of its peers (such as India, Brazil, Malaysia and Mauritius) with regards to economic expansion, and job creation in particular.



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Policies for the economy – including a robust industrial policy – should make up the vision, as an explicit socio-economic development approach that would be agreed upon by all relevant role players. It is not enough, anymore, to have a mixed and capitalist economy, but rather South Africa should have used the opportunity presented by the global economic recession to craft its own socio-economic development model.

The second most important issue for social and economic transformation is jobs. South Africa needs to resolve the challenge of unemployment broadly, and youth unemployment, which has since reached crisis proportions, in particular. This is another broader economic policy issue, and more narrowly a labour market one. The restructuring of the economy should alleviate the unemployment challenge. To fully address the unemployment challenge, however, the labour market should function differently. The demand side of the labour market, firm behaviour in particular, requires more attention. The requirements on experience, especially for graduates, should be revised. Graduates, in particular, should receive in-service training and there should be a set of effective active labour market type of interventions to increase the probability that graduates in particular are absorbed by the labour market.

At a broader level, the informal economy should not be discouraged. South Africa's peers (India, for instance) have an informal economy that is effectively above the formal economy. As a temporary cushion, the informal sector plays an important role in alleviating unemployment and poverty. Similarly, the minimum wage proposals that have been tabled should be concluded as soon as it is feasible – that would also, among other things, need that South Africa agrees on a poverty line. To address unemployment, a consensus is needed on the vision for the economy.

As indicated earlier, the gains on social development and social welfare in the post-apartheid South Africa are commendable. However, such gains are not enough, so far. Besides challenges of wider reach, the country is confronted with the challenge of the quality of social services. Therefore, implementation of programmes for social upliftment should be improved. Education and skills development, as well as healthcare services should also be improved.

To successfully transform society, as Mkandawire⁴⁰⁶ argues, collective interventions directly affecting transformation in social welfare, social institutions and social relations are critical. In other words, social policy should transform social welfare, social institutions and social relations. It can be argued that social policy – if it exists in South Africa – has not been successful in transforming social institutions and social relations. The labour market is one of critical social institutions that remain significantly untransformed. Broadly speaking, there is merit in the argument that social relations remain largely untransformed too.



It is in this context that South Africa needs to rethink its social policy. Social policy should work in tandem with economic policy towards advancing wellbeing – both subjective and objective. Therefore, rethinking social policy should be undertaken jointly with improving economic policy. These policies can only work with a clear vision for the economy and the society at large.

The answer to South Africa's woes, from a policy perspective, is reform of the economy in particular. The strategies and programmes that have been introduced since the mid-2000s have not addressed the policy constraints that needed reform; but rather, programmes and strategies not informed by policy have been followed. Therefore, more policy thinking should be exercised for both social and economic transformations. Most importantly, policy should be pursuing the vision for the economy agreed upon through national consensus.

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This chapter has broadly summarised, from a political economy point of view, the state of South Africa since 1994. Taken together with Part II chapters, it is concluded that many initiatives have been pursued to transform South Africa. However, there remains many challenges, most of which have to do with the historical experience of apartheid colonialism – and some might have to do with global power relations. Although there are significant interventions that are necessary if South Africa is to be a fully fledged developmental state, there are some policy initiatives that can be undertaken in order to ameliorate most of the socio-economic challenges facing post-apartheid South Africa, hence the proposed mix of policies.