



**Research report 108**

**The Emerging South African  
Democratic Developmental State  
and the People's Contract**

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*In defining a developmental state, the trick is to establish a connection between development impact and the structural characteristics of the state - their internal organisations and relations to society (Peter Evans, 1995)*

## 1. INTRODUCTION

The concept of the developmental state has often been invoked in South Africa, especially under the democratic dispensation following the non-racial, non-sexist multi-party elections in 1994. More recently, the concept of a people's contract has crept into the South African policy discourse. This was the main theme of the African National Congress (ANC) manifesto for the 2004 general elections. In that election, the ANC cemented its dominance of South African politics by winning over 70% of the votes. These two concepts, the "developmental state" and "people's contract", have gained prominence, especially among ANC and government officials. They are used to indicate the state commitment to developmentalism and to work collaboratively with "the people" by the ANC in government. This paper seeks to analyse the intricate relationship between the developmental state and the people's contract in South Africa, the latter being a means to ensure an inclusive governance. In defining the former, it will draw from the comparative experiences of developing countries.

The main proposition of this paper is that South Africa is an emerging democratic developmental state. Reasons for this proposition will briefly be advanced and elaborated on later. First, the ideology of developmentalism is one of the main features of the democratic South African state. Second, the state is increasingly becoming more interventionist, a point that is usually underestimated, especially by leftist critics. Despite this, the requisite institutions to define the state as developmental are relatively weak, and the implementation of a neo-liberal economic policy in the first few years of democracy has tended to undermine the state's capacity to realize its developmental objectives. Further, some of the elements of the New Public Management (NPM) approach, which informed the restructuring of the state, are contrary to aspects of a developmental state. Lastly, some of the above factors are contrary to the objectives of a people's contract as a means for democratic governance.

This paper is divided into eight sections. The first critically reviews the debates on the developmental state in South Africa. The second conceptualizes it in the context of globalisation. The third section focuses on the ideology of the emerging South African developmentalism, while the fourth addresses the evolving economic policy and the increasing interventionism by the state. The fifth section is an analysis of whether South Africa can be classified as an autonomous state. The sixth section deals with state-society relations, while the seventh focuses on the state and the people's contract. The last section provides some conclusions.

Though the concept of the democratic developmental state encompasses attributes of procedural democracy, this will not, however, be addressed in this paper. This is because South Africa seems to score well on most indicators of procedural democracy. Consequently, the analysis in the remainder of this paper focuses on the institutional dimensions of the developmental state (as used in the developmental state literature) and the ideological underpinning of the South African state.

## **2. THE DEBATES ON THE DEVELOPMENTAL STATE IN SOUTH AFRICA AND ITS CRITIQUE**

Because of the socio-economic success of the Newly Industrialising Countries (NICs) in East Asia, the developmental state has become a prime candidate for emulation by late developers such as South Africa. It has consequently received considerable attention from South African academics, politicians, political parties, civil society and the democratic government. However, very little attention has been paid to the institutional characteristics that constituted the transformative capacity of the developmental states in Asia (characteristics that enabled them to intervene and successfully transform their economies). As far as South Africa is concerned, most of the literature defines the developmental state in terms of its role in social and economic development.

Policies, rather than institutional attributes, are given analytical priority in the South African literature on the developmental state. This is true even in works such as Fine and Rustomjee (1996), which originally set out to adopt an institutional analysis. Also the collection of articles in Lipton and Simkins (1993) were primarily concerned with the state interventions rather than the capacity of the state. Very few of the existing studies bother to address the source of the developmental state's transformative capacity or why the Asian developmental states were able to effectively intervene in transforming their economies. Yet it is in the context of learning these lessons from Asia that we might better understand the role and potential of the developmental state in the South African context.

### **2.1. ANC Alliance and Government positions**

In an ANC (1998) discussion document, *The State, Property Relations and Social Transformation*, the character of the state is defined as developmental. It further says that "development is about improving the quality of life; it is about equity and justice... entails growing the economy...". It made only passing reference to state capacity to intervene in order to facilitate growth and development. Although it did not define the institutional characteristics that will constitute the transformative capacity of the developmental state, the document did recognize the need to mobilize civil society to participate in the formulation and implementation of public policies. The mobilization and participation of civil

society organizations is seen as a strategy to counterbalance interest groups, especially those opposed to the democratic dispensation, and ensure the attainment of the goals of the developmental state. As noted in the document:

*It is in the nature of transformation that there will be various manifestations of counter-actions by those opposed to change. Mass involvement is therefore both a spear of rapid advancement and a shield against resistance. Such involvement should be planned to serve the strategic purpose, proceeding from the premise that revolutionaries deployed in various areas of activity at least try to pull in the same direction. When "pressure from below" is exerted, it should aim at complementing the work of those who are exerting "pressure" against the old order "from above" (p 10).*

Various South African Communist Party (SACP) policy documents, as well as articles in the *African Communist*, apply the concept of the developmental state to South Africa. But like the ANC, the focus has been on the role of the state. Here again there is a similarity between the ANC and the SACP definition of the role of the developmental state. In one such article, "Economic Transformation," in the *African Communist* of 1998, the role of the developmental state is spelt out as "providing essential social services, creating conditions to achieve development-orientated growth, promoting redistribution and responding to market failure" (SACP, 1998). No attempt was made to elaborate on the developmental state's transformative capacity. However, like the ANC (and unlike the situation in the Asian NICs), it stressed the importance of the state not foregoing interaction with capital while aligning itself to "a progressive/worker dominated movement" (SACP, 1997). While it is safe to conclude that the SACP has not developed a comprehensive state transformative capacity theory, its conception of the developmental state bears resemblance to Evan's broad concept of embeddedness (Evans, 1995). This point will be returned to later.

This prioritisation of the role of the state is partly due to the state's conception as an agent for undoing the legacies of apartheid, including racial inequalities and a stagnated economy. Second, the emphasis on the role of the state is partly ideologically driven: both the ANC (at least a sizable section of it) and its alliance partners have been greatly influenced by socialist politics and this can explain some of their emphasis on state interventions. From this tradition, the state is seen as a counterweight to the market, which, left to its own devices, will not meet the needs of a democratic South Africa. These needs include increasing investment, making the economy competitive and diverse, enhancing the technological base, broadening the ownership and skills base, creating jobs, and addressing socio-economic inequalities.

The concern for state intervention also informed former ANC youth leader, Peter Mokaba's contribution to the debate (Mokaba, 2001). Because of this major preoccupation, he made no attempt to spell out what might constitute the transformative capacity of developmental state power. Passing reference is made to state autonomy, competence of the bureaucracy and participatory democracy to facilitate growth and equitable

development. One of the shortcomings of Mokaba's contribution is its failure to define state autonomy and the other variables that determine bureaucratic competence. Only once this is done can a link be established between these structural features and equitable development.

One of the few exceptions is Black (1992). While Black focuses on the policy interventions, he proceeds with an attempt to set out the institutional attributes of a developmental state in South Africa. In his view, such a state should be both insulated from and establish consultative mechanism with civil society in the pursuit of its developmental goals. Characterizing the East Asian Newly Industrialising Countries (NICs) as authoritarian and repressive of trade unions, he believed that their model should not be applied to South Africa.

Implicit in Mokaba's and Black's understanding is that whereas developmental states in the NICs were authoritarian; in the South African context, the developmental state should be democratic. In doing so, they position themselves away from Johnson's conceptualization of the developmental state as a soft authoritarian state (Johnson, 1987) but closer to Evan's broader definition of state embeddedness (Evans, 1995). However, they both failed to address how such relationships should be structured and what indicators can be used to measure state-society relations.

Rather remarkably, their position is not unlike that of the liberal tradition referred to earlier: while arguing for the relative autonomy of the state they fear that the new government may be captured by the trade unions because of the potential to undermine business confidence. Thus, to curb union militancy, they call for relations between the state, business and the trade unions, in which the latter would be bound to help create a climate for investment, by for instance, not driving up wages. One of the implications of this analysis is that strong and militant trade unions are seen as capable of undermining the autonomy of the state and its transformative capacity. This school would have preferred the state having the capacity to impose its will on society, but are unable to articulate it, given the South African history of racial oppression. What remains clear, however, is that this argument bears resemblance to Midgal's strong state-weak society thesis (Midgal, 1988), as well as both Johnson's (1987) and Wade's (1990) understanding of the developmental state - the state having the capacity to impose its will on society in spite of opposition from the latter.

## **2.2. Developmentalism in South Africa**

As should be clear from above, in the democratic dispensation in South Africa, there is a tendency by some government officials, the governing party (ANC) and its alliance partners - the SACP, the Congress of South African Trade Unions (COSATU) - civil society activists, and scholars to describe the state as being developmental. This description is primarily based on the expected role of the state. But they are not cognizant of the fact that if the goals of the

state solely determine whether it can be defined as developmental, the post-colonial African state will have been classified as a developmental state (Edigheji 2005 and Mkandawire, 2001). As Matlosa (2006) correctly observed, in the 1960s - 70s, Africa witnessed a pervasive trend towards the *ideology of developmentalism*. But today there seems to be a general consensus that the African state did not achieve its developmental objectives. It is, therefore, not by accident that as we enter the 21<sup>st</sup> century, Africa remains the most underdeveloped continent in the world, with most of its people mired in absolute poverty. The question, therefore, is why the African state was unable to achieve its developmental goals. Framed differently: what factors accounted for the East Asian states' capacity to achieve remarkable developmental success?

There is a general consensus by students of East Asian political economy that the success of these countries lies in the institutional characteristics of the state. The East Asian states not only had developmental objectives but they also established institutional arrangements that formulated and implemented policies to meet these goals. Therefore, as argued elsewhere, a developmental state is defined not only in terms of its goals but also its institutional attributes, which enable it to act authoritatively in formulating and implementing programmes in order to achieve its goals (Edigheji, 2005). Affixing a developmental label to a state does not suffice to make it one. Developmental states are consciously constructed by political elites. As Evans (1997) puts it, the East Asian developmental states' institutions, including the bureaucracies, "are hard won edifices constantly under construction" and were not gifts from the past. In a similar vein, Mkandawire (2001) argues that "The experience elsewhere is that developmental states are social constructs consciously brought about by states and societies" (p27). Sender (1994) in his work on the East Asian tigers reached a similar conclusion. According to him,

*The existence of an appropriate bureaucratic apparatus in these economies was not a priori God-given gift...The political and institutional conditions for successful state intervention in these economies were contingent on the outcome of an intense and protracted process of political struggle, ideological campaigning and conscious institutional innovation (Sender, 1994: 543)*

A classical definition that conceived the developmental state in terms of its role, is used by the South African Department of Trade and Industry (DTI) in which it defines the developmental state as "a state that is both willing and able to lead, including disciplining capital if needs be, as it serves to ensure equitable and sustainable economic growth. Such a state is required, by definition, to have a structural vision of the economy. It needs to have an 'end state' for the economy in mind". Further, also by definition, such a state "must be scrupulously accountable and transparent to prevent its collaborative processes being captured and corrupted by self-seeking interests, especially existing conglomerates within the economy that will seek to reinforce their position and the status quo" (DTI, 2005: 4). It went on to argue that "The state needs to be orientated towards leading rather than depending on business to do so". By the same token, "the state needs to have sufficient capacity to lead a process of industrial policy". Clearly, the DTI failed to tell us the sources

of developmental state capacity, partly because of its narrow conception of the developmental state that privileges its role.

The minister of finance, Trevor Manuel (2004), also limits his conception of the developmental state to its role. According to him, "A developmental state is one that is determined to influence the direction and pace of economic development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces to allocate resources". This is a radical position by a Finance Minister as they are generally known to be very conservative. But it is also a reflection of the shifts in South Africa's economic policy with an emerging consensus towards greater government intervention.

It seems that COSATU lacks a coherent position on the developmental state. A critical examination of its intervention shows that it tends to define the developmental state from the ideational standpoint. This is amply evident in its draft discussion paper for its 2005 Central Committee meeting. It defines the developmental state as one that "drives development, in contrast to a free market approach" (COSATU, 2005). This state, for the labour federation, is defined by both its class, that is state-business alliance, as well as its economic policy - intervening in the economy to develop new industries. But at another level it says that the developmental state has the ability "to drive development by guiding capital toward new activities while maintaining broad-based support, including from workers" (p4). It also alluded to the merit-based promotions in the public service as an important factor for developmental success. But this is not properly articulated, nor is its links to economic development demonstrated. At best, only passing reference is made to it. Lastly, it also points to the repression of trade unions as a possible necessary condition for the East Asian developmental state successes.

The result is that the trade union movement has been wary about the construction of a developmental state in South Africa. Some in the union movement suggest that such a state has to forge relationships only with the working people and their organizations while excluding business. The naïveté in this argument is three-fold. First, that the developmental state in East Asia was repressive does not mean that the experience has to be repeated in South Africa. Such an argument fails to recognise the emerging consensus that what matters is not the capacity of the state to repress interest groups and impose its will over society but to use its autonomy to elicit cooperative relations from organized interests and citizens, a point that is eloquently argued by Linda Weiss (1998). Second, we have to question whether it is possible for the state to foster economic growth without some sort of alliance with business. There are few examples in history, mostly from socialist societies, where the state has been instrumental in fostering economic development (with growth as one variable of development) without an alliance with the entrepreneurial class. It is unlikely that South Africa will be an exception in this regard. What students of economic history have shown is that the state has either forged relationships with dominant business interests or has used its power to create and nurture an entrepreneurial class with which it shares a project of national transformation. The latter was the experience in Malaysia, where the state created

a Malay entrepreneurial class rather than forge relationship with the then dominant Chinese business class. There is nothing, neither in theory nor in practice, that stipulates that state-society relations should exclude non-elites (the working people and the poor). In fact, Evans (1995) has argued for what he termed “inclusive embeddedness”, which means a state-business-civil society relationship. Therefore, the state and the ANC could still have an alliance with the trade unions and civic organizations at the same time still have an alliance with business. As rightly argued by the ANC in its resolution of the 2<sup>nd</sup> National General Council (NGC) in 2005:

*While we seek to engage private capital strategically, in South Africa the developmental state needs to be buttressed and guided by a mass-based, democratic liberation movement in a context in which the economy is still dominated by a developed, but largely white, capitalist class.” (ANC, 2005)*

There are a number of policy-networks where trade unions participate in decision-making. Properly implemented, a people’s contract could provide a basis for strong state-labour-civil society relations.

In light of the above, one can conclude that there has been no systematic attempt to elaborate the concept of the developmental state in South Africa. Besides passing references to the developmental state, the literature and government policy hardly specify the sources of its capacity, other than regular lamentation about lack of skills in the public service. Thus crucial institutional elements that would enable the developmental state to act in a coherent fashion and, on that basis, successfully engage with its social partners are generally ignored.

### 3. CONCEPTUALISING THE DEVELOPMENTAL STATE IN THE CONTEXT OF GLOBALISATION

The developmental state has been defined differently by scholars and development agencies alike. Some scholars tend to emphasize the role/ideology of the state. In this category are scholars like Manuel Castells, who define a developmental state “as one which establishes - as its principle of legitimacy - its ability to promote and sustain development, understood as the combination of steady high rates of economic growth and structural change in the productive system, both domestically and in its relationship with the international economy” (Castells, 1992:56). But a developmental state not only promotes growth and enhances productivity but also promotes economic activities capable of generating higher material standards of living (White, 1998: 20). Useful as this conceptual framework is, a developmental state must also have the capacity to be able to formulate and implement its developmental agenda.

In the light of the above, other scholars have stressed the organizational features of the developmental state. Key structural characteristics are *autonomy* of state institutions, which enables it to define and promote its strategic developmental goals, and its *embeddedness* -

that is, the state forming alliances with key social groups which help it to achieve its developmental goals (Evans, 1995). In this perspective, autonomy implies the presence or high degrees of coherent state agencies that are able to formulate and implement coherent developmental goals. Put differently, autonomy means the ability of the state to behave as a coherent collective actor capable of identifying and implementing developmental goals. Implicitly, the developmental state is not overwhelmed by particularistic interest groups. The point being stressed is that state bureaucratic coherence is achieved by, among others, meritocratic recruitment, which in turn engenders coherent networks within the state. This enhances its capacity to identify and implement independent goals. Meritocratic recruitment is complemented by predictable career paths and long-term rewards for bureaucrats - both of which help to generate a sense of corporate coherence. To quote Evans again,

*The internal organisations of developmental states come much closer to approximating a Weberian bureaucracy. Highly selective meritocratic recruitment and long-term career rewards create commitment and a sense of corporate coherence. Corporate coherence gives these apparatuses a certain kind of autonomy (Evans, 1995: 12)*

Another significant feature of the autonomous state is greater coordination of industrial change and economic adjustment. Lastly, a developmental state must be able to forge close links with interest groups it envisages would be instrumental to the achievements of its developmental goals. This is what Evans (1995) refers to as embeddedness: “a concrete set of social ties that binds the state to society and provides institutionalized channels for the continual negotiation and renegotiation of goals and policies” (Evans, 1995: 12).

Mkandawire’s (2001) definition, below, aptly captures both the structural and ideological features of a developmental state. He concludes thus:

*In terms of ideology, a developmental state is essentially one whose ideological underpinning is ‘developmentalist’ in that it conceives its ‘mission’ as that of ensuring economic development.... The state-structure side of the definition of the developmental state emphasizes capacity to implement economic policies sagaciously and effectively. Such capacity is determined by various factors - institutional, technical, administrative and political. Undergirding all these is the **autonomy** of the state from social forces so that it can use these capacities to devise long-term economic policies unencumbered by claims of myopic private interests. It is usually assumed that such a state should be a ‘strong state’ in contrast to ... [a] ‘soft state’ that had neither the administrative capacity nor the political wherewithal to push through its developmental agenda. And finally, the state must have some **social anchoring** that prevents it from using its autonomy in a predatory manner and enables it to gain adhesion of key social actors” (Mkandawire, 2001:290).*

These structural/organizational and ideological features will be discussed in subsequent sections. These will constitute the basis to analyse the South African state to see whether or not it can be described as a developmental state.

Underlining the conception of state autonomy is that the state should be able to authoritatively fashion and implement its policy agenda. In this regard, the state, especially the economic bureaucratic elite, are said to have relative autonomy over social and economic policy - to the extent that they are insulated from interest groups. This is what Johnson (1987) had in mind in his discussion of the role of the state in social and economic transformation. According to him, elected officials and technocrats *ruled* and *reigned* respectively. This means that elected representatives set the broad policy framework while the bureaucrats undertook detailed policy formulation and implementation. Developmental states, therefore, have elements of New Public Management (NPM), which “requires a clear delineation between policy formulation (politicians) and implementation (managers of public and executive agencies; other staff are service deliverers)” (Monteiro and de Tollenaro, n.d).

But the relative autonomy of elected officials is now a thing of the past, both in the developed and developing world. In the former, special interests have captured the political space and elected officials are expected to do their bidding. In the latter, the situation is worse, especially in the context of heavy foreign indebtedness, dependence on foreign aid and a globalising world where there is a tendency for convergence of policy in favour of market fundamentalism. Although South Africa is in a unique position as most of its debts are domestic, nevertheless, as will be shown subsequently, its policies are greatly influenced by the dominant logic of the global political economy.

In fact, in the context of globalization, international development agencies such as the World Bank and the International Monetary Fund (IMF) pressure developing countries to liberalise their economies in order to become globally competitive and integrated into the global economy. This policy approach has dominated policies and intellectual discourses, especially in developing countries.

The approach tends to privilege technocratic efficiency over relative autonomy of elected representatives, and, by so doing, constrains and limits the range of policy choices available to elected officials. As Swyngedouw (2000) has persuasively argued:

*The propagation of (the) globalisation ideology has become like an act of faith. Virtually each government, at every conceivable scale of governance, has taken measures to align its social and economic policy to the exigencies and requirements of this competitive world (dis)order and the forces of a new ‘truly’ free-market-based world economy. In the light of the real or imagined threat of owners of presumed (hypermobile) capital that they might relocate their activities, regional and national states feel increasingly under pressure to assure the restoration of a fertile entrepreneurial culture. Fiscal constraint has to be*

*exercised, social expenditures kept in check, labour markets made flexible, environmental and social regulation minimised, etc. This, then, is heralded as the golden path that would lead regional and national economies to the desired heaven of global competitiveness and sustained growth... National political elites, both left and right, find in these arguments an excuse to explain away their inadequacy to link political programmes with an increasingly disenfranchised and disempowered civil society. (Swyngedouw, 2000: 66).*

This conceptual frame resonates in the new South Africa, and its economic policy, especially in the first six years of democracy (1994 - 2000). In this period, the need to ensure macro-economic stability seems to be the overriding concern of economic policy. In the mid-1990s, within government circles, globalization was seen as being synonymous with an impotent state, or at worst, the end of the state, and an era of policy convergence. From this perspective, it was thought that South Africa had little or no choice but to adopt policies in line with the rest of the world. As an ANC Discussion Document states: "South Africa must resist the illusion that it can elaborate solutions that are in discord with the rest of the world". Thus, the argument that South Africa should "abandon command economics and take on board the globalization of trade and financial markets" (ANC, 1996). In this line of argument, globalization translates into making South Africa a "viable" proposition and an attractive destination for investors. Former President, Nelson Mandela, succinctly captured this point thus: the South African government "must abandon its obsession with grand plans and make economic growth its top priority" (Mandela quoted in the *Sunday Times*, 30 July 1995). Economic planning came to be perceived as antithetical to economic growth. To a large extent, it was this conceptual framework that informed the government's macroeconomic policy - Growth Employment and Redistribution (GEAR). GEAR represented a significant shift from the RDP, whose five core elements were:

- meeting basic needs;
- building the economy;
- democratizing the state and society;
- developing human resources; and
- nation-building (ANC, 1994).

The RDP placed the state at the centre of development, something that GEAR tended to revise, with the market seen as the locus of development.

#### 4. THE DEVELOPMENTALIST IDEOLOGY OF THE STATE AND THE IMPACT OF NEOLIBERALISM

There is no doubt that the ANC and the South African government have been conscious about the distributional consequences of its policies. Equity and redistribution receive considerable attention in most government policy documents - including the annual budget speeches of the Minister of Finance. For example, in his 2005 budget speech, the Minister of Finance, Trevor Manuel, observed that: "This social intent also embodies our commitment to build a more just, more equal society in which steady progress is made in reducing the gulfs that divide the rich and the poor, black and white, men and women, rural and urban" (Manuel, 2005: 11).

This distributional concern was also explicit in both the RDP White Paper (RSA, 1994) and the White Paper on Developmental Social Welfare (1998). The latter recognised that economic growth in itself will not enhance citizens' well-being and lead to equality. Consequently, it argues for "the equitable allocation and distribution of resources", while maintaining that "social development and economic development are ... interdependent and mutually reinforcing". In spite of this recognition, between 1996 and 2000, the focus on macroeconomic stability tended to undermine the realization of the development imperatives of the state. The White Paper on Social Welfare, like other government social policies, was predicated on social cost recovery. Hassim (2005) summed up the core characteristics of this approach to social policy and its implications thus: "Social assistance programmes were based on the principle of affordability and sustainability - that is, they were to be 'financially viable, cost efficient and effective". These neutral terms obscure the extent to which welfare budgets are vulnerable to the imperatives of fiscal responsibility (Hassim, 2005: 13). One consequence of this was that government's social sector spending merely increased from 46% of total government expenditure in 1995/6 to 48% in 2001/2 (Gelb cited in Hassim, 2005). This is not to deny the steady increase in government social sector spending under the democratic dispensation. In general, on the distributional side, the government did not show the same resolve as it has done around monetary and fiscal policies.

Furthermore, the cost recovery approach to social policy has reduced citizens to consumers, clients and users, consequently changing the nature of state-society relations. This customer-orientation model to public policy has adverse implications for citizens, who are conceived as subjects of the markets. In addition, the South African state is being subordinated to the imperatives of the global market place - even if only at the vestigial level, as it is increasingly drawn into the commodification and marketisation of its activities. Such an approach also changes the way basic social services are viewed - they tend to be conceived as part of the economic infrastructure that serves the needs of the global economy. They are intended to lower the cost of doing business in South Africa. Clearly one could describe the South African state as being fiscally conservative and socially progressive - with the negative effect of the former impeding the realization of the latter, at least in the

short-run. South Africa reduced the budget deficit from 9.5% of GDP in 1993 to 0.5% in 2005/6 (PCAS, Presidency, 2003 and Manuel, 2006): this was the lowest deficit in twenty three years and has contributed to declining inflation. This extremely conservative fiscal stance is consistent with the experiences of Malaysia, Philippines, Indonesia, Thailand and South Korea, all of whom kept their budget deficits below 0.5% of GDP in the 1980-1990 period (Roemer, 1994). This phenomenon points to the fact that developmental states are generally fiscally prudent.

The achievement of macroeconomic stability and the predication of social policy on market fundamentalism in the first five years of non-racial democracy in South Africa have been at the expense of race, gender and class equalities. It will be right to suggest that racial inequality was either reinforced or at best has not significantly altered, so also was poverty (economic apartheid continues to the present moment). Thus, by predicating its social policy on a neo-liberal framework, the government tied its hands and by so doing constrained its capacity to expand social services to the vast majority of those previously denied access to such services. This is not to suggest that inequality changes rapidly in the short-run. In fact the literature on changes in inequality points to slow changes in inequality in the short-run. The argument, though, is that in the first five years of democracy in South Africa, the predication of social policy on market fundamentalism led to the disablement of the South African state in pursuing a more developmental policy framework.

Though highly unpopular, GEAR has been resolutely implemented by government in spite of opposition from the governing party's alliance partners, the SACP and COSATU, as well as civil society organisations. This has been made possible by insulating the economic technocrats in the National Treasury from political pressure. They also enjoy the support of the Minister of Finance, Trevor Manuel and President Thabo Mbeki (the main political architect behind GEAR). This has been in addition to then-President Mandela throwing his iconic status behind GEAR when he declared to a Cosatu meeting that "GEAR, as I said before, is a fundamental policy of the ANC. We will not change it because of your pressure" (*Business Day*, 2 July 1998). As SACP Deputy Secretary General, member of the ANC National Executive Committee (NEC), and intellectual, Jeremy Cronin (2005: 6) describes it, "Mandela used his status and office to enforce "acceptance"...of the 1996 GEAR macro-economic policy". Although not being prefixed to any ideal-type developmental state, the above is a clear indication that the post-1994 South African political elite have exhibited, even though unevenly, the same political will as their East Asian counterparts.

## **5. EVOLVING ECONOMIC POLICY AND INCREASING INTERVENTIONISM BY THE STATE**

While the adoption of GEAR may have led to macro-economic stability and enabled South Africa to remain unaffected by the Asian financial crisis, both its employment and redistribution goals and its target of a six per cent annual growth rate, were not achieved.

However, its achievements did include macro-economic stability, reduction of the budget deficit, a decline of public sector debts as a percentage of GDP, a decline in interest rates and inflation, amongst others, as a basis for the current expansionary fiscal stance of the government. These achievements, especially the stabilization of the economy, have been acknowledged by most major international rating agencies, including Standard and Poor's (SP) and Moody's. They have consequently upgraded their ratings of South Africa's economic outlook. By insisting that it will stick to GEAR fundamentals, the government has created policy predictability, especially for the markets. The soaring business confidence in South Africa that began to manifest in the last three years or so, is a reward for the state's tough stance on its stabilization policy.

In the long-run, the ANC-led government may have avoided the pitfall of some developing countries, including its northern neighbour, Zimbabwe, where government expenditure on social services skyrocketed from the late 1990s, leading to increases in the budget deficit, which consequently had to be financed largely by monetary expansion - a point which critics of the South African government's macroeconomic policy have missed. This, in turn, led to inflationary pressures with most basic goods priced out of the reach of the majority of Zimbabweans - the same people whom the Zimbabwean government's redistribution policy was intended to help. Whereas GEAR was credited for having laid the foundation for macroeconomic stability, to the extent that its employment and distribution targets were not achieved, there has been a rethink of economic and social policy since 2001.

We can, therefore, talk about a post-GEAR South Africa, with the government becoming bolder in its redistributive initiatives, more interventionist, and undertaking a more expansive fiscal policy by increasing its spending on infrastructure and basic social services. In 2006 President Mbeki announced that the government will spend R372 billion on infrastructural investments in the next three years (Mbeki, 2006). As part of the post-GEAR period, privatization is being slowed down, while public enterprises are being used by the state to exercise greater leverage over the economy and crowd-in private investments. The land reform process is to be speeded up, with the president having announced a plan to review the 'willing seller, willing buyer' principle that has guided the process until now (Mbeki, 2006). If this bold initiative had been undertaken earlier (say in the 1990s), it would have sent jitters to the market. But now, the government's 'sound' management of the economy and the consolidation of democracy have gained the confidence of both local and international investors. Its justification for this increasing interventionist stance is that because of inequalities and poverty, the government "has a responsibility to intervene in an intelligent, responsive manner that will lead to development and a more equitable distribution of resources" (Government of South Africa, 2001: 1).

## 5.1. The Mont Fleur Scenarios

The government appears to have internalised the lessons of the so-called Mont Fleur scenarios of the early 1990s, which both the minister of finance, Trevor Manuel, and now Reserve Bank Governor, Tito Mboweni, participated in developing. This is how Handley (2005) summarized Hamill's (1998) interpretation of the Mont Fleur scenarios:

*“This exercise outcome presented a stark warning to the incoming ANC government by means of the ‘Icarus’ scenario, where populist policymaking during the democratic dispensation flew too high, and ultimately crashed and burned, or as an alternative, the conservative ‘Flamingo’ scenario to help build local and international confidence in the new government and its economic policy as a foundation (and before) implementing its redistributive agenda” (Handley, 2005: 221: emphasis mine).*

It seems that the government has chosen the Flamingo scenario with its microeconomic strategy, the thrust of which is significant at a number of levels. First, it signified a shift away from the classical Washington Consensus approach toward a social democratic approach within a conservative macroeconomic policy. A key economic bureaucrat in the Mbeki presidency, Alan Hirsch (2005), in his book entitled *Season of Hope: Economic Reform Under Mandela and Mbeki*, described this as a mixture of a Northern European approach to social development and elements of the Asian approach to economic growth, within conservative macroeconomic parameters” (Hirsch, 2005: 4). Therefore, while government continued to maintain that the macro-economic policy was sound and would remain unchanged (the budget deficits continued to be reduced and the 2006/7 budget showed a deficit of 0.5 of GDP), there was a movement towards greater state intervention through micro-economic policy, (in the words of Robert Wade (1990)) to “govern the market”. These micro-interventions marked the beginning of the post-GEAR period.

In spite of this shift, former Trade and Industry Minister and current Minister of Public Enterprises, Alec Erwin (n.d), insisted that this microeconomic strategy and increasing state intervention in the economy was not a change in paradigm but rather a change in phasing. The argument was that macroeconomic stability had created the foundation for microeconomic reforms to achieve accelerated growth, employment and equity. One of these 'solid foundations' was the turning of the economy around. Thus in 2005 the economy grew by 5%, surpassing the government's projection of 4.3%. This growth is partly due to a commodity boom on the one hand and increased consumer spending on the other. The latter was partly due to increases in disposable income (Manuel, 2006). The MERS has three key elements, namely:

- Investing in ‘economic fundamentals’ that underpin growth;
- Improving the efficiency of, and expanding access to, services in four input sectors;
- and

- Developing the growth, employment and equity potential of selected priority sectors.<sup>1</sup>

### 5.1.1. *Black Economic Empowerment*

Central to this new policy paradigm is Black Economic Empowerment (BEE). The primary objective of the government's broad BEE policy is to ensure greater participation of previously disadvantaged people (mostly blacks) in economic activities, be it ownership or employment, among others. The Broad-Based Black Economic Empowerment (BBBEE) Act sets out the objectives of BEE, which include the following:

- promoting economic transformation to enable meaningful participation of black people in the economy;
- changing the racial composition of ownership and management and skills structures of existing enterprises;
- promoting collective ownership by communities, workers and cooperatives.
- increasing ownership and management numbers of black women;
- empowering rural and local communities for development by enabling access to economic activities, land, infrastructure, ownership and skills; and
- promoting access to finance for black economic empowerment. (Republic of South Africa, 2004).

Through its BBBEE policy (what I have referred to elsewhere as to as a maximalist approach to BEE) including the scorecards and BEE codes, the state is gradually transforming the private sector to become more inclusive - they are redress mechanisms. BEE policies are enabling the emerging developmental state to lock-in the business elite to its developmental goals. In a sense, the state is using participation of societal actors in the formulation of BEE policies, such as the economic sectors charters, to enhance its capacity to effect redress (promoting greater participation of black people in the economy). These charters include the Mining Sector Charter, the Financial Sector Charter and the ICT Sector Charter. Each sector charter contains targets for black ownership and set deadlines for their attainment. For example, the Financial Sector Charter stipulates that by 2008 some 33% of the composition of boards of directors and 25% of executives should be black, with 11% of directors and 4% of executives respectively being black women. It also says that by 2010 each financial institution should have a minimum of 25% black ownership (Financial Sector Charter, 2002).

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<sup>1</sup> See Government's Microeconomic Reform Strategy.

Similarly, the Property Sector through the sector charter has reportedly committed itself to investing 10% of its budgets for developing townships and rural areas (see *City Press*, March 19, 2006).

The BEE policy and sectors charters have enhanced the regulatory capacity of the state as well as its capacity to discipline the market. Not surprisingly, most companies, including multinationals that seek to invest in South Africa, now have to look for black business partners. A prime example in this regard is Vodafone, the United Kingdom's largest cellular phone company, which had recently bought into South Africa's largest cellular company, Vodacom, and announced its intention to seek black business partners. In a similar vein, the largest investment bank in the US, Merrill Lynch, is selling an initial 8,5% stake in its South African business (MLSA) to staff, an education trust and black investors, with a plan to increase this to 15% in the future (*Business Day*, 9 February 2006).

The behaviour of the South African state in intervening in the market and at times governing it, is in stark contrast to advocates of the Washington Consensus who have said that this cannot be done in a globalizing world economy. Though with reluctance and continued opposition by a section of the dominant white business sector, capital is now accepting BEE as part of the South African business imperatives. This is partly due to a shared or common project between the state and black business. Black business has been in the forefront of the promotion of BEE. The report of the Black Empowerment Commission (BEECOM) - established on the initiative of the Black Management Forum (BMF), headed by former ANC Secretary General and National Executive Committee (NEC) member and businessperson, Cyril Ramaphosa, considerably influenced and shaped government BEE policy. Until the release of that report, one could safely argue that both the ANC and the government lacked a coherent BEE policy. What is clear from this is that government, though not explicitly, had a people's contract with black business. While this 'people's contract' with black business has achieved some success - evidenced by the increase in black equity in public companies from virtually nothing in 1994 to 9.4% in 2002 (PCAS, Presidency, 2003) - a people's contract with the vast majority of South Africans, to eradicate poverty and create employment, has proven more challenging.

## 6. STATE AUTONOMY

Autonomy is one of the crucial variables that define a state as developmental. It is an attribute that enables a developmental state to act in a coherent fashion. Key indicators of state autonomy include its Weberianness - namely meritocratic recruitment and career paths for civil servants. These highly qualified and competent civil servants are congregated in superministries. Thus a coordinating ministry is the third element of state autonomy. These indicators of state autonomy are the subjects of the subsequent three sub-sections.

## 6.1. Policy Coordination and Advisory Services (PCAS) in the Presidency<sup>2</sup>

Public policy, especially economic policy, is considerably centralized in developmental states. This is primarily to ensure the alignment and coordination of economic policies. Thus for example, in the East Asian developmental states, there was the Economic Planning Board (South Korea), Economic Planning Unit (Malaysia), and Economic Development Board (Singapore).

Some of these units could be classified as superministries located in the office of the President or Prime Minister. To ensure that they have substantial influence in policy-making, in the Asian developmental states these ministries were either headed by the Prime Minister or his/her deputy. In Johnson's (1982) characterization, the superministries are the brainpower of developmental states. This brief discussion is a necessary background in our analysis of the role of the South African presidency, especially the Policy Coordination and Advisory Services (PCAS). To begin with, the PCAS was established following the recommendations of the Presidential Review Commission established by President Mandela and chaired by Dr. Vincent Maphai (PRC, 1998) which highlighted excessive departmentalism and often contradictory policies emanating from various government departments. The need for a coordinating unit arose because according to Mbeki in an interview with the Financial Mail:

*There has been a difficulty in the separation of departments, with each doing their own thing...You have a situation where each one is pulling in a different direction. So you need a co-ordinating unit, particularly with regard to economic questions. It is a unit of co-ordination (Interview with Mbeki by Bruce and Laurence, 1997).*

It is important to note that the predecessors of the PCAS were both the RDP office headed by Minister without Portfolio, Jay Naidoo, and the Co-ordination and Implementation Unit (CIU) established in 1999, and located in the office of the Deputy President. Among the CIU's problems was its lack of staff and capacity to perform its envisaged role of policy coordination.

Described as the engine-room of the new presidency (Mbeki's Presidency) the PCAS was established in 2001, with the main aim of ensuring policy coherence (Presidency, 2001). Its Director-General, Joel Netshitenze, an intellectual and strategic thinker who is an influential figure within the ANC and a key Mbeki ally, heads it. Although the PCAS does not originate policies, which remains the responsibility of line departments and cabinet clusters, the PCAS facilitates strategic policy formulation by, among other things, identifying key strategic priorities, conducting research on identified areas/issues and developing proposals on policies and processes. Importantly, it also facilitates integrated policy formulation by, inter alia, monitoring policy proposals from line ministries, evaluating them to see whether or not

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<sup>2</sup> Although there are other structures to ensure policy coordination such as the 5 cabinet clusters and the Forum of South African Director-Generals (FOSAD), these will not be discussed in this paper.

they accord with government priorities and, when necessary, proposing corrective measures. One critical way the PCAS ensures the alignment of departmental policies and programmes to government priorities is through the Medium Term Strategic Framework (MTSF). The PCAS drafts and distributes the MTSF which guides alignment of policies and priorities. It also ensures the alignment of policies through its annual reviews of departmental performances and the proposing of corrective actions where there is misalignment. Presently, the PCAS has five core units/Chief Directorates that mirror the cabinet clusters, namely:

- the Economic Cluster;
- the Social Sector cluster;
- the Governance and Administration Cluster;
- the International Relations, Peace and Security Cluster; and
- the Justice, Crime Prevention and Security Cluster.

Very senior officials at the level of Deputy Director-General and Chief Director, head each cluster. An indication of their degree of influence is that the head of each sector attends cabinet and cabinet committees' meetings. Besides advising the presidency and government on specific issues, they process cabinet memoranda in order to assist political principals and the Cabinet Secretary.

Prior to the establishment of the PCAS, departmental policies were often in conflict with one another. This was exemplified by conflict between GEAR - driven by the Ministry of Finance - and the labour laws - driven by the Department of Labour. Thus for example, some critics of the labour laws, especially businesspeople, argued that contrary to GEAR - which requires flexibility in the labour markets - the labour laws are too rigid and thus undermine the objectives of GEAR<sup>3</sup>.

Some commentators have attempted to compare President Mbeki to President Park, the architect of South Korea's economic development. Luiz (2002) suggests that President Mbeki, like President Park "has tightened his grip on the state by setting up a squad of economists and strategists in his office to oversee every influential government unit". Though with some exaggeration, he states that "(t)he new unit will function in a manner similar to a ministry of state planning, and (is) intended to prevent duplication or the undermining of each other's work. The unit will enable the presidency to play a leading role in governing the formulation and implementation of a broad strategic socio-economic vision, and coordinating the various aspects of economic policy" (Luiz, 2002: 606). No doubt, President Mbeki has a clear economic vision. This is primarily founded on the need to foster a sustainable accumulation strategy. According to Cronin (2005: 8):

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<sup>3</sup> Similar argument informed the ANC's NGC Discussion Document entitled "Development and Underdevelopment" that calls for flexible and dual labour markets.

The central project of the Mbeki presidency has been...to drive a process of restoration of capitalist accumulation. *The overriding objective has been to create conditions for a sustained 6% (capitalist-driven) growth path. The assumption is that only such a growth path will provide the resources with which to address the developmental challenges we all agree are critical (racialised inequality, unemployment, poverty, socio-economic duality, etc.).*

Mbeki's clear economic vision can be attributed to a number of factors, namely his background as an economist, his time in exile during which he travelled to most capitals of the world and this consequently impacted his knowledge of the workings of the global political economy, his understanding of the developmental challenges of the new South Africa and his strong desire to avoid the mistakes of most post-colonial African states. However, as the Asian experience teaches us, the political leader has to have the capacity to build a political coalition around such a vision. An elite consensus is the key to the success of a developmental state. The inability of President Mbeki to build a broad-based coalition within the ANC-led alliance (as Prime Minister Mahtir Mohammed did within the governing UMNO party in Malaysia) seems to be one of the problems of the emerging South African developmental state.

According to William Gumede (2005), a Mbeki critic, in his unauthorized biography of President Mbeki, "Ministers are required to submit all new policy documents and draft laws to the presidency for scrutiny, and they all have to go through Netshitenze, *the head of the PCAS*, who decides whether or not proposals are in accordance with government's policy goals" (Gumede, 2005: 130. *emphasis mine*). Thus even critics of the government acknowledge the increasing coordination of policy. They however, believe that this is part of the president's attempt to centralize power around his office. Such criticisms suffer from a number of limitations. First, the need for policy coordination with the presidency is based on the recommendations of the PRC set up by President Mandela (see above). Second, developmental states by their nature entail policy centralization and coordination. This is what the experience of the East Asian developmental states teach us. For example, the Economic Planning Board (EPB) in Korea, which was headed by the Deputy Prime Minister, vetted policies by line ministries and ensured their alignment with the overall government transformative vision. It is, therefore, important to stress the fact that it is contradictory to, on the one hand, call for a developmental state in a relatively new democracy and, on the other, reject the institutional features that would enable it to act coherently and decisively in promoting development.

The PCAS has, to a degree, enhanced the coordinating capacity of the emerging developmental state in South Africa. However, its limited capacity remains a major constraint to its work. For example, compared to the superministries in East Asia with more than a hundred highly trained economists, the PCAS currently has very few staff with advanced training in economics. Perhaps, this partly accounts for specific proposals in the Ten Year Review - according to Cosatu (2005) - reflecting departmental programmes rather than PCAS analysis. As earlier remarked, the Review relied considerably on consultants. All of

this points to lack of in-house capacity, a key requirement of a developmental state in order to analyse information, on the basis of which solutions are proffered. Therefore, to build a truly development state in South Africa, there is an urgent need to increase the recruitment of highly qualified and politically astute economic bureaucrats into the PCAS.

Again, unlike the Asian experience where the planning units were headed by a senior political figure such as the prime minister or deputy prime minister, the PCAS is headed by a Director-General, the political clout of the current incumbent, Joel Netshitenze, notwithstanding. One possible recommendation that follows from the analysis thus far is that for South Africa to have a developmental state, the PCAS needs to be elevated to a super-ministerial status and be headed by the Deputy President. In this way the PCAS will have more clout over line ministries/departments.

## 6.2. State Autonomy or Disembodiment?

The adoption of GEAR led to a reconfiguration of the relationship between political and bureaucratic elites. It partly shifted decision-making power from the political elite to the bureaucratic elite. This is what I referred to elsewhere as the *disembodiment* of the state (Edigheji, 2003). Thus, rather than the classical developmental states where the political elite set the broad policy parameters and the bureaucratic elite articulate and implement plans, GEAR represented a situation where the bureaucratic elite at the National Treasury (previously known as the Ministry of Finance) defined the broad policy landscape which was taken to Shell House (later Luthuli House) - the ANC headquarters - as an ANC policy. In fact, the Minister of Finance and his top economic bureaucrats in the National Treasury (including its Director-General, Maria Ramos) became the economic czars, whose economic prescriptions were non-negotiable. One main source of tension in the ANC-alliance, from the mid-1990s, is that policy-making seems to be the preserve of government and government officials. SACP Deputy General Secretary, Jeremy Cronin (2002) drew attention to the fact that Director-Generals and their senior management teams formed policy. In the process the political elite seemed to be marginalized, a source of frustration and, at times, open conflict between COSATU and the SACP on the one hand, and the ANC and government on the other. One commentator has correctly observed that after the 1994 democratic elections, policy-making effectively moved from the ANC's structures into the heart of government (Handley, 2005). One possible reason for this development, according to some senior government officials, is that the government has more capacity than the ANC. This view is shared by the conservative policy think-tank, the Centre for Development Enterprise (CDE). It justified the dominance of technocratic elites in the policy process thus:

*The extent to which the democratic movement had clearly defined policy is limited in part because of uneven policy expertise and because of uneven priority. The formal structures of the ANC are weak when it comes to policy making. In common with many other political parties in government, ANC policy*

*is now predominantly made by ministers and their departments. The role of head office and the party branches in formulating, evaluating, or amending policy is minimal (CDE, 1999).*

The dominance of the policy agenda and process by technocrats has adverse implications not only for development outcome but also for democratic governance. The technocratic approach forced elected officials to be accountable to the bureaucrats rather than the other way round.

In addition, this speaks to the question of the absence of a *shared project* between the political elite and their bureaucratic counterparts. In this regard, post-1994 South Africa is unlike the East Asian developmental states where there was a shared project between the political and bureaucratic elites, which was a necessary condition for their high economic performance. There is a striking parallel between South Africa and Pakistan under Z. A Bhutto in the 1970s, where a conglomeration of forces - urban lower middle class, the peasantry, the proletariat and landlords - propelled the Pakistan People's Party (PPP) into power in 1971. Once in power, however, the radical elements within the PPP were marginalized and the landlords asserted much influence on government policy direction and performance - a factor that we should not underestimate. According to Noman (1988: 75) the Sindh's landlords "...tolerated and even encouraged a radical programme as a basis for mass mobilization. In power, they were not entirely indifferent to reform, but were careful in controlling its pace and minimizing its magnitude". In the South African context, the bureaucratic elite (in conjunction with social democrats and traditionalists within the ANC that dominate state structures) have used the technocratic-speak to advance a less radical agenda, and by so doing have promoted a reform agenda that has largely benefited capital. As Mbeki admitted in his 2006 *State of the Nation address*, "Freedom has been good for business" (Mbeki, 2006).

### **6.3. Technocracy and State Autonomy**

GEAR may have been unpopular in the short-run, but its architects seem to have had a long-term perspective of the economy, which has begun to bear fruit: At the time of writing, this included low inflation, reduction of public debt and the budget deficit, and expansion of social infrastructure and basic services. This point is succinctly made by Alan Hirsch, when he observed that "This new government was able to think in longer terms than most democratic governments, partly because of the extraordinary vision of the new leadership, and partly because it had good reason to be confident of being returned to government in the second democratic elections in 1999" (Hirsch, 2005: 76). Having a long-term vision and the political will to push through its developmental vision was one of the core characteristics of the East Asian developmental states. Another possible reason why the democratic government of South Africa pushed ahead with its implementation of the macroeconomic policy, was the recognition that despite the opposition to GEAR, even from ANC alliance partners (the SACP

and COSATU), the ANC-led alliance was unlikely to break-up because of disagreement around it. This seems to be based on the understanding that the disintegration of the alliance would undermine the transformation agenda the alliance partners had all fought for, with the main beneficiaries of any such a break being domestic and global forces interested in the maintenance of the status quo. Thus the government stuck to its macroeconomic policy and insulated the technocrats from direct political pressure, both from within and outside the ANC-led alliance. By so doing, it provided policy predictability to the investor/donor community.

Scholars of institutions - such as Seddon and Belton-Jones (1995) - argue that insulation from special interests enables the state to respond swiftly and effectively to changing economic conditions and adopt policies that are in the long-run interest of the economy. However, "...the capacity to identify and implement appropriate policies to promote effective medium - and longer-term development requires the maintenance of strategic relations with wider civil society" (Seddon and Belton-Jones, 1995: 326). As the South African government later realized, not following this institutional creed proved costly - it generated resistance from social groups, a situation that has somewhat slowed down the pace of the economic reform process. In retrospect, government should have projected GEAR as a stabilization strategy, without its employment and redistributive elements in it. My argument thus far is that it is not the insulation of technocrats *per se* that is the problem but the fact that they have *reigned* and *ruled*, and, by so doing, have usurped the power of the political elites to set the policy agenda. In this respect, democratic South Africa is unlike classical developmental states where the political elite set the broad policy parameters while the bureaucrat elite was tasked with elaborating policies to achieve such objectives.

Jeremy Cronin, though not writing on the developmental state but reflecting on the trend towards technocracy in our post-1994 order, quoted Gramsci to illustrate the problem. For him, the situation has been problematic since "... the bureaucratic hierarchy replaced the intellectual and political hierarchy. The bureaucracy became precisely the state/...party" (Gramsci cited in Cronin, 2005: 5). Equally problematic are "attempts to assert a managerialist, technocratic control over a mass movement" (Cronin, 2005: 12) instead of promoting self-empowerment of community embedded associations, in the spirit of the people's contract. Boyte (2006: 14) tells us that "technocratic practices, whether in public institutions or businesses, are uprooted from the civic life of places, deskill the general population in civic terms, and hide power relationships under the guise of neutral methods". In this tradition, technicist solutions are offered, oblivious of political and social contexts. Mkandawire (1999) suggests that, within this approach, "policies are often introduced in isolation from the considerations of political stability or the legitimacy of authority of elected bodies" (p.123). One of South African leading public intellectuals, Steven Friedman, reminds us that public management techniques *cum* technocracy, may indeed be "an obstacle to effective government" (2004: 255), in the absence of a supportive political coalition. In this context, he posits that:

*“A realistic prospect of progress depends not solely on generating more sophisticated proposals and techniques, but also on recognition that only strengthening and enriching democratic institutions sufficiently to ensure that they are able to allow conflicts to be resolved through politics allows any prospect of permitting the freedom promised by democracy to translate also into greater social equity and human well-being (Friedman, 2004: 255).*

This argument seems to suggest that in a democratic context, ability to build a political coalition around a developmental agenda - which, according to White (1998), include but are not limited to poverty alleviation, reduction of inequalities - is critical to its success and would enhance the capacity of the state to achieve its transformative agenda. In other words, a cohesive political elite able to fashion its developmental agenda is as important as the insulation of the technocrat elite. As the Asian experiences teach us, it is even better when both elites share a common developmental goal. This reality may be strange to advocates of technocracy such as South African scholar, Nicoli Nattrass, who seems to suggest that political elite involvement is an irrational intrusion into the technocratic world of rational economic decision-making (Nattrass, 1994). However, my point of departure is that the insulation of the economic bureaucratic elite from interest groups, a major feature of developmental states, is quite different from what Cronin (2005) refers to as “technocratic vanguardism”, a phenomenon that is rearing its head in the new South Africa. To be sure, a developmental state, which South Africa aspires to, needs highly competent bureaucratic elites. However, they must not displace the political elite; this means that a clear delineation of roles between the political and bureaucratic elites is critical in the country’s efforts to build a developmental state. And as Friedman *et al.* (2005) have rightly observed:

*suboptimal technical responses may be most likely to be effective if they are politically appropriate because they encourage cooperation between economic and social actors. The political is thus in this view not only a factor that policy-makers must acknowledge when they seek to implement policy, but when they design it too. If politics is a crucial underpinning for technical policy-making, then policy design needs to adapt itself to the political as to the technical challenges posed by a particular context, especially in a country like South Africa, in its efforts to build a developmental state so crucial in order to overcome the legacies of apartheid. (Friedman et al., 2005: 52. emphasis mine).*

Suffice it to say that the ANC’s 2<sup>nd</sup> National General Council (NGC) in mid-2005 represented a situation where the political elite reclaimed the initiative to set the broad policy parameters in South Africa. At the NGC, initiatives to reinforce technocracy and conservative macroeconomic policy, including dual labour markets policy, were rejected. Instead, the NGC called for the adoption of an Industrial Policy and the construction of a developmental state (ANC, 2005). Though the contents of both were not fleshed out, the NGC resolutions marked an important beginning for the ANC and government’s economic policy.

#### **6.4. South Africa and the illusive career paths for economic bureaucrats**

One of the disturbing characteristics of the post-1994 state in South Africa is the high turnover rate of senior economic bureaucrats. An examination of the economic cluster ministries will illustrate this point. The Department of Trade and Industry (DTI) has, in the space of ten years, had three Director Generals (DGs). The two previous DGs - Dr. Zav Rustomjee and Dr. Alistair Ruiters - left voluntarily to join the private sector. Similarly, the Department of Labour has also had three DGs. Again, the first two - Mr Siphon Pityana and Mr Rams Ramashia - have moved to the private sector. Similarly, the Department of Transport has had about four DGs. Of those that have left, two remain in the public sector, namely Wrenelle Standers who is now the CEO of Air Traffic Navigation Services (ATNS) and Prof. Rwelamira who moved to the Department of Justice. The Ministry of Finance (National Treasury) has had about three DGs since 1994. Of the former DGs, Maria Ramos, remains in the public sector as the CEO of Transnet. What these tend to show is that unlike the East Asian developmental states, there is an absence of life-long career paths for the economic bureaucratic elites.

This is not by accident because career paths, generally speaking, are neglected within the NPM framework (Montneiro and de Tellenaeere, n.d) along which the South African state is being restructured. Instead bureaucrats have performance-based contracts following the recommendations of the Presidential Review Commission (PRC). The PRC recommended a “move away from the traditional career-based model of public service management, in favour of a model based on contract-based employment of the entire management echelon” (PRC, 1998). Also, unlike the East Asian experience, there is no plan in place to ensure that these former senior bureaucrats will one day return to the public service. If these are indicators, one is unlikely to describe the post-1994 South African state as being autonomous, an important indicator of a developmental state. In general, there is a pervasively high turnover rate of senior bureaucrats in the new South Africa as there is no plan in place to retain them. This raises questions about the ANC’s deployment strategy. The situation is even worse for black economic bureaucrats who are daily lured to the private sector where there is higher remuneration. And as the private sector tries to meet the BEE and the Employment Equity Act requirements, more and more senior economic bureaucrats in the public sector will move to the private sector. Other reasons that account for the high turnover rate of top bureaucrats, as indicated by one former DG who spoke to the author on condition of anonymity, include technocracy. As he puts it, top bureaucrats are being turned to compliance officers as they are required to complete numerous forms in compliance with increasing numbers of rules in the public service. The result is that rather than focus on strategic issues such as growing the economy, addressing questions of poverty and inequality, senior bureaucrats are preoccupied with compliance with a range of regulations as part of the ‘new management’ approach.

## 6.5. Affirmative Action, meritocratic recruitment and state capacity

Another component of Weberianness of state autonomy is meritocratic recruitment to the top echelon of civil society. While there is no evidence of patronage, recruitment into the South African bureaucracy is not based on examination, a characteristic that was pervasive in most developing countries after independence. In contrast, in post-1994 South Africa, a number of criteria influenced appointments into the South African civil service, first among which is affirmative action (AA) aimed at making the public sector more representative (in terms of race<sup>4</sup>, gender and disabilities) and to maximize the potential of the diverse skills and talents to improve service delivery (Department of Public Service and Administration, 1998). The state explicitly indicates that “(m)erit must be defined within the context of employment equity” (DPSA, 1997: 5). In this regard, South Africa shares a common characteristic with Malaysia, where appointments into the civil service were conditioned by the need to ensure the employment of the previously disadvantaged groups, the ethnic Malay, into the civil service. But an interesting aspect is that in the absence of candidates having undertaken a common examination, it is difficult to ensure consistency and uniformity in appointments. Although in South Africa there are broad guidelines on how appointments are to be made, selection committees have considerable discretion on appointments by the interviewing committees. It is therefore not uncommon for selection committees to reach different verdicts. This in turn could lead to abuse and patronage, although there is no evidence thus far in this regard. However, there have been a number of occasions where some in the white community, for instance, point to the fact that recruitments into the civil service are based on political considerations. The point though is that it is difficult to say whether or not merit is an important criterion in appointments into the civil service in the post-1994 South Africa.

Some scholars however, erroneously suggest that AA compromises merit and inhibits state capacity to provide services to the populace and effectively manage the economy (Cameron, 1996; Luiz, 2002). There is no empirical evidence to support this claim. When read in conjunction with the White Paper on Human Resource Management in the Public Service, it is obvious that AA was not only meant to ensure a more representative public service, and by so doing enhance its legitimacy, but also to increase efficiency, effectiveness and productivity by the state (Department of Public Service and Administration, 1997). As the case of Malaysia has shown, as long as there are clear guidelines for recruitment, and these are implemented transparently, it is unlikely to compromise merit. The ethnic Malays that populated the Malaysian economic bureaucracy effectively managed the economy, transformed it from being primary sector-based to secondary and tertiary sector-based - the source of its global competitiveness and consequent high economic growth rate. In the case

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<sup>4</sup> It is interesting to note that in relative terms the number of black managers as a % of Total Managers has increased from 40.1% in 1995 to 63.4% in 2001 while for the same period that of white declined from 59.9% to 36.6%. But this does not mean that black managers are displacing white managers as in absolute terms the number of white managers increased from 14738 to 26276 in 2001 (Public service payroll information (PERSAL, cited in Thompson and Woolard, 2002). As the *Towards A Ten Year Review* reveals, by 2003, Africans constituted 72% of the public service at all levels.

of South Africa, the available evidence supports the thesis that the black bureaucratic elites have effectively managed the economy. While they inherited an economy that had experienced negative growth for almost a decade and was in recession, by 2005 the economy was experiencing a 5% growth rate, an upswing that is likely to continue. Also, within a decade, the black-controlled state has provided basic social services to millions of people who were previously denied access to such services (although the fact that this is premised on cost recovery has limited its impact). This has included providing houses to six million people - a remarkable achievement by world standards. It is, however, important to note that the qualities of these houses are being questioned in certain quarters.

A key requirement of a developmental state is in-house capacity to analyze its socio-economic situation, proffer solutions (independently formulate its positions) on the basis of which it then negotiates with interest groups and mobilizes society around its vision of transformation. This is an important element to judge whether or not the democratic state in South Africa is developmental. Almost everyone who has followed South African political economy since 1994 is daily bombarded by politicians of all political persuasions about the state's lack of capacity to drive and implement its agenda. Lack of capacity, it is said, accounts for the inability of the state to 'deliver' basic services to the populace - lack of capacity in this parlance is an important explanatory variable for non-delivery of basic social services, which accounts for the more than one thousand local protests that have occurred across the country in the last few years. There is empirical evidence to support this claim, to which I now turn.

First, year in and year out, government departments at all spheres are unable to spend their annual budgetary allocations, due in part to lack of capacity. Second, the government is highly reliant on consultants for a range of services and inputs. Thus, due to the absence of in-house capacity, notes the government in its document, *Towards a Ten year Review*, "almost 25% of government's procurement budget is now spent on consultants primarily providing information technology, policy advice and project management" (PCAS, Presidency, 2003:12). The situation is so bad that the government is presently considering importing skilled workers. Third, even in its own assessment of the Republic's first ten years of democracy, the government relied on consultants - as evidenced in Annexure IV of the document. Fourth, by mid-2005, the Department of Trade and Industry (DTI), one of the key economic ministries, only had six economists (far less than its counterparts in Korea, Malaysia and Singapore). A state with this capacity deficit is unlikely to be adjudged as developmental by critical observers. Needless to stress that a critical challenge facing the government is to attract and retain highly skilled technocrats, as a necessary condition for the realization of its developmental objectives. One important lesson to draw from the Asian NICs, is the need to train the required human resources to man the public sector. Like the Asian NICs, the South African state needs to invest more in the higher education system as well as provide scholarships to South Africans to study in some of the best universities in the world.

Earlier, we noted the steady increase in government social spending, which is indicative of its commitment to addressing poverty in the country. But this commitment is being undermined by the lack of capacity in government departments at all levels, national, provincial and municipal, to spend their annual budgetary allocations. It is, therefore, not surprising that each year billions of Rand are returned to the National Treasury. President Mbeki alluded to this under-spending by government departments and its implications for provision of basic social services in his *2006 State of the Nation Address*. According to him, “We cannot allow that government departments become an obstacle to the achievement of the goal of a better life for all because of insufficient attention to the critical issue of effective and speedy delivery of services,” (Mbeki, 2006). Therefore some analysts argue that increased allocations alone may not necessarily result in the expansion of social services. According to Luiz (2002), “implementation capacity..., rather than resource availability, will turn out to be the binding constraint (2002: 605) Friedman *et. al* (2005) made this point more powerfully when they observed that:

*Larger budgets would not ensure more vigorous programmes, since at present key development departments fail to spend their annual budgets. This suggests that the chief obstacle to effective action against inequality is not the level of public spending but a failure to spend government budgets effectively. Further examination invites the conclusion that this failure is significantly linked to the mismatch between the needs and preferences of the poor on the one hand and the mainstream policy agenda on the other - and that those organized interests who seek to champion the interests of the poor show no greater understanding of their preferences than government politicians and officials (Friedman 2005: 54).*

## 7. EMBEDDING THE EMERGING SOUTH AFRICAN DEVELOPMENTAL STATE IN SOCIETY

The above issue also speaks to another important component of a developmental state, namely: state-society relations. For a state to be adjudged to be developmental, it needs to have a high degree of state-society relations. This is what Evans (1995) calls *embeddedness*. This implies a concrete set of ties between the state and social groups which the state considers instrumental to the success of its developmental agenda. Weiss (1998) calls her theoretical approach *Governed Interdependence* (GI), which according to her involves central coordination founded on cooperation between government and business. The argument for embeddedness is based not only on its likely positive effects on economic growth but equity. With respect to the latter, embeddedness is more likely to result in the accommodation of the needs of the poor and marginalized in public policies and their outcomes. Weiss (1998), through the concept of GI, advocates that such relations should be coordinated by the state. Cognisant of the fact that it has to work collaboratively with non-state actors, the South African democratic government, argues that “the state needs to be sufficiently strong to commit to encompassing long-term development objectives” (PCAS, Presidency, 2003: 103).

As the new Deputy President, Phumzile Mlambo-Ngcuka (2006) observed while unveiling the *Accelerated and Shared Growth-South Africa (ASGISA)*, the state's ability to halve unemployment and poverty by 2014, would, to a large extent, be dependent on "effective economic leadership from government and effective partnership between government and key stakeholders such as organized labour and business" (Mlambo-Ngcuka, 2006: 1).

In the post-1994 period, participation of interest groups in the policy process has become a dominant feature of public policy in South Africa. In fact, there is legislation mandating the state to consult with non-state actors. Consequently, there is an array of policy networks and consultative mechanisms (CMs) at the three spheres of government, namely, national, provincial and municipal. At the national level, the apex CM is the National Economic Development and Labour Council (NEDLAC), established through an Act of parliament as a forum for negotiations and consensus-building between the state, organized business, organized labour and the communities. In addition, the Mbeki presidency has established a number of Presidential Working Groups through which the president and his cabinet consult regularly with interest groups. These are the Presidential Working Group on Women, Presidential Youth Working Group, Presidential Trade Unions Working Group, Presidential Big Business Working Group, Presidential Black Business Working Group, Presidential Commercial Agriculture Working Group, and so on. Though no research has been conducted on these Working Groups, there are regular *Indabas* (meetings) between the president and his cabinet on the one hand and representatives of the various sectors that made up the respective Working Groups on the other. For example, the Presidential Black Business Working Group enables the president to directly engage and consult with leading black business persons and organized black business on pertinent issues such as black economic empowerment (BEE). In a similar vein, the president consults with the farming community, including the National African Farmers Union's (NAFU) and Agric-SA on the transformation of the agricultural sector and land reform through the Presidential Working Group on Agriculture.

In addition to the above, President Mbeki also established an International Investment Council made up of prominent international business people, with the aim of helping to attract investments to South Africa. The president and his cabinet hold regular meetings with members of the council. These meetings also enable President Mbeki to explain government policies to members of the council and to seek their advice. Members of the council include the vice President of the Citigroup Inc (United States), Mr. William Rhodes; the co-chairman of Unilever (United Kingdom), Mr. Niall FitzGerald; chairman of Commerzbank (Germany), Mr Martin Kohlhausen; chairman of Pretonas (Malaysia), Mr Hassan Marikan; chairman of Independent Newspapers (Ireland), Dr Tony O'Reilly; and chairman of Soros Fund Management (United States), Dr George Soros (Mbeki, 2000). In addition, President Mbeki has also established an ICT council made up of the CEOs of some of the leading ICT companies in the world. The establishment of these councils appears to be informed by the President's single-minded focus on the promotion of economic growth and increased investment as a necessary condition for it. The consultative structures (both domestic and

international) are intended to gain the confidence of the investment community (both domestically and internationally), generate trust between members and the state, enable members to make inputs into government policies, enhance the legitimacy of policies, facilitate exchange of information, coordinate expectations among private agents, reduce coordination costs and ensure that policies are made transparently. Some of the advantages of these initiatives include the reduction of rent-seeking among private agents and the strengthening of the capacity of the state to forge ahead with its development objectives.

A lot has been written about the lack of consultation by government with its social partners around its macroeconomic policy. However, there is evidence to suggest that there is greater consultation and participation of interest groups around micro and sectoral policies. The aforementioned Presidential Working Groups are indicative of the increasing participation of interest groups in the formulation and implementation of public policies.

The advantages of embeddedness in South Africa notwithstanding, greater participation does not mean that the needs and interests of all non-state actors are accommodated. In the Growth and Development Summit (GDS), in spite of pressure from civil society organisations and the trade unions, HIV/AIDS was not addressed by the summit. This was one issue that could have aborted the GDS. Cosatu's president, Willie Madisha, in his address to the summit, lamented the inability to reach agreement on issues around HIV, which was instead deferred to a separate task team (Madisha, 2003). The summit was an effort by the national stakeholders 'to commit themselves to a common vision for promoting rising levels of growth, investment, job creation and people-centred development'. But overall, business interests predominated, and, quite predictably, made very few concessions. In the case of retirement funds for example, 'the life insurance industry, government, labour and community organisations committed to work towards investing five percent of their investable income' in unspecified 'appropriate financial instruments'. The trade unions in particular were demanding that more than 10 percent of pension funds be invested in job creating initiatives. But as we have noted above, business did not yield to this demand and this remains a source of dissatisfaction for the unions. Although the rhetoric in the GDS agreement seems progressive, the actual challenge is whether or not the parties to the agreements will fulfill their commitments. As observed elsewhere, South African social partners, especially business, are known for not meeting their commitments. In some instances, business has worked against agreements that it perceived not to advance its interest. Its continued opposition to labour laws and affirmative action laws and policies are illustrative of this point (Edigheji, 2003). Perhaps this is what the Cosatu president, Willie Madisha, had in mind at the GDS when he observed that "As always at Nedlac, it is easy to talk, but hard that action follows the talk". The unfortunate thing is that there are no effective mechanisms to monitor the implementation of Nedlac agreements, like most participatory structures in South Africa. It is therefore not surprising that the GDS agreement contained similar contents as the 2000 and 2001 Nedlac annual summit agreements (Nedlac, 2000 and 2001). For almost three years after these annual summit agreements were signed, there was no significant progress towards their implementation. Indeed, the Council was

unable to come up with a work programme towards the implementation of the aforementioned annual summit agreements.

Similarly, Cosatu (2005) draws attention to lack of government commitment to aggressively pursue an equitable growth strategy (at least until the announcement of ASGISA). Cosatu's central concerns have been employment creation and poverty alleviation. This has informed its engagement both within the ANC-led alliance and with government. In Cosatu's views, equitable growth will go a long way in overcoming the legacies of apartheid, which are being exacerbated by the globalization process. It noted the government's lack of commitment to equitable growth thus:

*The reluctance by government to prioritise equitable growth also emerges if we contrast engagements on sector strategies with the implementation of BEE. In the 2000s, virtually every government policy adopted some reference to BEE. Government departments drove the BEE charters in key sectors. In contrast, it was difficult to ensure government commitment to sector strategies that sought to ensure employment creation and more equitable ownership (Cosatu, 2005: 8. emphasis mine).*

## 7.1. State-Trade Union relations

Given the strategic role played by the trade union movement, especially those from the congress tradition in the struggle against apartheid, trade unions have necessarily been incorporated into the policy process in the post-1994 period. This is aimed at primarily facilitating dialogue between the democratic state and the union movement. In spite of this, it can be said that state-trade union relations are not as strong as both parties had expected. This could partly be attributed to the absence of a shared transformation vision between both parties. Ability of the state to forge its vision of transformation and mobilize society around it is one of the key elements of a developmental state. Until 1996 when GEAR was adopted (which marked a shift of economic policy to the right of the political spectrum - the insistence of Trevor Manuel and other senior government officials to the contrary notwithstanding), the RDP represented such a common vision. Since then, no comprehensive and shared vision has existed. This much is acknowledged by the *Towards a Ten Year Review*, when it notes that "apart from the RDP, there was no such encompassing framework on board" (PCAS, 2003: 103) around which the alliance partners could mobilize the whole society. It is, therefore, not surprising that the relationship between the state and the unions, especially COSATU, has soured. Indeed, ever since, state-union relations have been mired by controversies around the macroeconomic policy.

## 7.2. State-Business relations

Though for different reasons, a strong state-business relationship has also not emerged despite the existence of several structures and processes of engagement between these two important stakeholders. There are a number of possible reasons for this development. The first factor that has hampered embeddedness in the new South Africa was the fragmentation of business organisations along racial lines, until the early 2000s. White business was composed of the South African Chamber of Commerce (SACOB), made up of predominantly small and medium size firms; the South African Foundation (SAF), comprising the fifty largest firms in South Africa; the Afrikaner Handelsinstituut, representing mainly Afrikaner business interests (AHI), and Business South Africa (BSA). On the other hand, black business was composed of the National African Federation Chambers of Commerce (NAFCOC) and the Foundation for African Business and Consumer Services (FABCOS). As I have argued elsewhere, “the organization of business associations along racial lines has rendered them ineffective in shaping social economic policy through the platforms provided by Nedlac and other participatory decision-making processes and structures” (Edigheji, 2003: 78). The fact of the matter is that because of these fragmentations, business has been unable to speak with one voice on important policy issues. The need to do this, as well as government prodding, eventually led white and black business associations to form non-racial associations. These include Business Unity South Africa (BUSA), formed in October 2003 as an umbrella body for business associations. In the same vein, the four chambers of commerce, AHI, FABCOS, NAFCOC and SACOB, all of which were initially formed along racial lines, came together in 2003 to form the Chamber of Commerce and Industry South Africa (CHAMSA).

### 7.2.1. State-White Business relations

Another factor that has constrained embeddedness in the South African democratic state has been the absence of a shared project (shared developmental agenda) between the black majority government and white business. This phenomenon has hampered effective cooperation between the parties. This was reflected in the initial scepticism by white business during the transition period and the first few years after democracy, that an ANC-led government was likely to implement market-unfriendly economic policies. In particular, big business had fears about the ANC’s nationalization policy - the official ANC policy until the early 1990s - and fears of the likely interventionist posture and redistributive thrusts of an ANC-led government. These fears were carried over to the democratic era. These were coupled with the opposition by white business to BEE and Affirmative Actions (AA) policies (both supported by the incipient black business class), which were conceived as attempts by the state to interfere with the free operation of market forces. In a speech to parliament in 1998, Mbeki, then deputy president, expressed government’s frustration over white business’ opposition to transformation thus:

*In the majority of cases, the call for the transformation of both public and private sector institutions and organisations, in particular to address the issue of racial representivity, has been resisted with great determination by the white community especially white business. Indeed, one of the issues of great agitation in our politics is the question of affirmative action. To ensure that it does not happen, some of what is said is that, black advancement equals a white brain and black management equals inefficiency, corruption and lowering of standards (Mbeki, 1998. emphasis added).*

But with the adoption and implementation of GEAR, business attitudes towards the government changed remarkably (resulting in surging business confidence that is reported in a number of domestic and international rating agencies). Although, as the *Towards a Ten Year Review* document acknowledges, there continues to be a disjuncture between the political elite (the state) and the business leadership (PCAS, Presidency, 2003). This, in part, is due to Afro-pessimism among the white community including white businesspersons, whom Mbeki (2004) in his weekly online letter in the *ANC Today* describes as “doomsayers”, “cynics” and “sceptics” who “continue to communicate negative messages about our country whenever they travel abroad, or receive visiting business people” and occasionally manufacture one scarecrow or another to frighten the unwary about our country and its future”.

The president wondered why this is so in spite of the fact that ‘business people in our country have never had it so good”. President Mbeki’s frustration was in response to the position of Tony Trahar, CEO of Anglo American plc, the largest conglomerate in South Africa, who was quoted as saying that “... the South African political-risk issue is starting to diminish-although I am not saying it has gone.” (cited in Mbeki, 2004).

Mbeki’s reaction should also be viewed in the context of the speculative attack on the Rand in the mid-1990s following unwarranted fear about the health of then President Nelson Mandela (as well as the appointment of the first black Minister of Finance, Trevor Manuel). This was another way of white business questioning the capacity of a black government to govern and to manage the economy efficiently; it resulted in substantial depreciation of the local currency and in part led to the adoption of GEAR. As one commentator noted, “investors fretted about the resilience of the country’s political transition, *with some fearing that South Africa will go the route of Zimbabwe and most post-independent African countries*” ( Handley, 2005:225.*Emphais mine*). Any talk of political risk was therefore interpreted as an attempt to undermine investor confidence, which President Mbeki and his government have worked assiduously to court. This was at a time when for about a twenty-year period (1987-2005), fewer numbers of South African manufacturers saw the political climate as a constraint on their ability to invest, according to the data of the Bureau For Economic Research (*Financial Mail*, February 17, 2006). The government’s achievements in the first decade of democracy seem to have surpassed the expectations of the doomsayers, who now seem dumbfounded. The byline of Ethel Hazelhurst (2006) in the *Financial Mail*, following the presentation of the 2006/7 budget reads, “The doomsayers were not out when

Trevor Manuel was appointed finance minister in 1996. Ten years later, and he has achieved the impossible". I have highlighted, in earlier part of this paper, some elements of what Hazelhurst was making reference to by the term "spectacular success". Suffice it to say that though the investment climate has improved, FDI inflows have not been very encouraging, and this has been coupled with low gross domestic capital formation. Both of these are low by international standards.

I have sought to use the above to illustrate the fact that the different racial backgrounds of business (white) and government (black) may have contributed to a low degree of trust between the state and white business, just as the relationship between the Malaysian state (controlled by the indigenous Malay) and the Chinese business class) - business relations (central to embeddedness. The literature on the developmental state tells us that trust between the state and societal actors is crucial to successful development. Such trust does not exactly exist between the South African state and white business; this does not bode well for the building of a developmental state. This is, however, not to underestimate the influence of the white business community in economic policy-making. Besides its involvement in a number of policy networks/ - CMs, some of which I have mentioned earlier, according to Handley (2005), white business influence is also derived from two other factors, namely (a) its relative (large) size, and (b) the relatively open and internationalized nature of the South African economy also boosts their influence in South African economic policy. This influence is direct - through participation in a range of consultative structures and processes, and indirect - through its size and the exit option available to it (this was not the case when the East Asian developmental states were being constructed as the global economy was less open, a fact that enabled the state to discipline capital).

Suffice it to say that the white business community is reluctantly warming up to the idea of transformation of the economy to make it more inclusive. In that regard, it is gradually accepting BEE as part of South African business imperatives. On occasion, the white business community has undertaken initiatives aimed at strengthening its relationship with the state as an indication of its commitment to South Africa. These include the establishment of the Business Trust with a pledge of R1bn for social investment (in job creation and education) as well as voluntary commitment by the financial sector to invest about R75 billion in issues that will advance broad-based BEE. White business' negative reactions and gradual embrace of BEE are similar to the negative reaction and then reluctant acceptance by the Chinese business class in Malaysia of the New Economic Policy in the 1970s.

### *7.2.2. State-black business relations*

Simultaneously the democratic state is incubating and nurturing a black business class with which it does appear to share a common project. Consequently, there is a more harmonious state-black business relationship than a state-white business one. The state is not only facilitating this through BEE policies aimed at creating a black entrepreneurial class but also

through the award of state tenders to black businesses. Cronin concurs when he observes that “It is state policies (BEE charters, with their ownership quotas and tender policies) that are driving the emergence of this class fraction, putting pressure on established capital to cut this emerging fraction “a slice of the action” in order to remain in favour with the “new political reality”. (Cronin, 2005).

There is a tendency in some quarters to demonise the emerging black business class as parasitic individuals who owe their positions more to their political connections than their business acumen. Well renowned and respected Archbishop Desmond Tutu as well as Moeletsi Mbeki, President Mbeki’s brother (an intellectual and top businessman), are some of the most vocal critics of the ‘current’ forms of BEE. They point out that BEE is not benefiting the majority of the black population. This has given rise to charges that government’s BEE policies and programmes are only benefitting politically well connected individuals. In a lecture at the University of Pretoria, Moeletsi Mbeki argues that “We are not creating entrepreneurs. We are taking political leaders and politically-connected people and giving them assets which, in the first instance, they don’t know how to manage” (2003). He sees the black elite as no more than a buffer to protect white business. He also contends “the current model of black economic empowerment (BEE), focused on transferring equity rather than encouraging entrepreneurship, has created a culture of entitlement and dependency in the black middle class” (*Mail and Guardian*, 28 September 2003). The main weakness being highlighted by Moeletsi Mbeki and other critics of current model of BEE is that the policy tends to be narrowly focused on share-acquisition without enough attention being paid to entrepreneurial development and skills training as a way of creating a sustained and independent black business class. This is what I have referred to as a minimalist approach to BEE (Edigheji, 1999) that primarily focuses on deracialisation of equity ownership. Seven years ago, I made an argument similar to that of Archbishop Desmond Tutu and Moeletsi Mbeki against the minimalist approach to BEE, when I observed that:

*Another major implication of the minimalist approach to BEE is that it is fostering a process of social exclusion in the new South Africa as the majority of blacks, and mostly rural women, remain unemployed and are denied the fruits of social transformation - without access to physical and social infrastructure. At the same time, a new filthy rich black and professional class enjoys the benefits of the democratic transition - with access to corporate ownership.... Put differently, a minimalist approach to BEE promotes the empowerment of few black individuals and the disempowerment of the vast majority of the black population. This has resulted in the increased polarization of the black community, that is widening the gap between the rich and poor in the black population. (Edigheji, 1999: 7)*

The emerging black businesspeople are also criticized for merely engaging in speculative rather than productive investment that could have positive multiplier effects such as generating employment opportunities and contributing to the diversification of the economy. Flowing from the above criticisms is talk of crony capitalism and self enrichment as the main

features of BEE, similar to the criticisms against the Bumupitera businesspeople in Malaysia between the 1970s and mid-1980s (Jesudason, 1989). Some of these criticisms ignore the fact that some of the BEE deals and government policies on the subject benefit ordinary people. Such was the case in the privatization of TELKOM (the then state-owned telecoms utility) where some of the shares were sold to ordinary people. In the same vein, some of the BEE deals in the private sector, including in two of South African leading banks, Nedbank<sup>5</sup> and ABSA, are benefiting workers and communities, although their spread remains considerably limited; hence the majority of black people have not shared in the fruits of BEE. To be sure, the charge of the elitism in BEE cannot be ignored if we are to overcome the legacy of apartheid's concentration of wealth. It is, however, important to point out that at the initial stages of the implementation of the New Economic Policy (NEP) in Malaysia, similar charges were levelled against the Malaysian state. And in general, crony capitalism was used by western scholars and institutions to describe the East Asian developmental states. The Malaysian state was charged with promoting a parasitic Malay business class, who were said to benefit from political patronage. This is how one Malaysian political economist described the situation:

*the successful Malay businessperson typically had close connections with government leaders that were used to acquire land for housing development, timber or mining concessions, shares in newly restructured companies, special access to credit and licenses, and so on. Many gained great wealth through property speculation and manoeuvres on the share market... The main bumiputera businesspeople were from three groups: UMNO supporters, retired civil servants and royalty (Crouch, 1996: 214).*

The point is that until the mid-1980s, the emerging Bumupitera business class was initially highly dependent on the state but thereafter rent-seeking was somewhat minimised. Lubeck (1997) cautioned against harsh assessments of the emerging Malay business class and perceptions about rent-seeking; an important warning in the South African context. He contends:

*Lest one become excessively critical of the rent-seeking and corruption in the Malaysian case and idealize the experience of the developmentalist NICs, Chang's description of Korea reminds us to be realistic about rentierism. "The abuse of bureaucratic power, political favoritism, and corruption are hardly rare in Korea. And the country by no means lacks stories of rent-seeking activity" (Chang: 145). For the question of accumulation and state strategy, the question of import is not whether corruption exists or whether monopoly rents were granted by the state to individual members of the Bumi bourgeoisie and to the public enterprises ... Indeed, such rentier interventions were probably necessary to maintain social peace, to abolish the ethnic division of labor and to incubate a bourgeoisie that can confidentially cooperate with state bureaucrats to achieve*

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<sup>5</sup> In its empowerment transaction, Nedbank reserves its *Eyethu* shares for its black clients.

*planning goals in the flexible informal manner that Johnson affirms for the developmental states. True, for free marketeers of the Anglo-American variety, the mode of bourgeoisie formation is neither inspiring nor efficient in the short run. The key question for assessing this strategy rests upon the capacity of the bureaucracy and the new generation of the Malays political elites to discipline, rationalize, and deepen the technical capacity of the fledgling Bumi business and industrial class (Lubeck, 1997b: 8)*

This observation by Lubeck provides important insights into an understanding and assessment of the Malaysian developmental state in particular and developmental states elsewhere in general. It seems to us that the developmental state is closely associated with corruption, patronage and the emergence of a rentier class, at least in the short run. But the key factor that determines successful economic and industrial transformation, which South Africa needs to take to heart, is the political will by political leaders to identify and create a focal point and ensure that it sticks to its developmental objectives, in spite of tendencies toward rentierism by the emerging business class. This is an important lesson that we should learn as we continue with efforts to build a developmental state in order to make the economy competitive and overcome apartheid's legacy of underdevelopment.

In the developmental state literature, it is generally recognised that the problem *per se* is not rent-seeking but whether or not the fruits of rents are used for productive investment as was the case in the Asian developmental states or diverted into "unproductive purposes" as the case of most post-independent African states. K.S Jomo, one of Malaysia's most authoritative political economists notes:

*Rent transfers may well contribute to, rather than undermine, further investments in the national economy since rentiers can usually count on further advantages from such investments. If capital flight is thus discouraged, the greater concentration of wealth associated with such rentier activity may actually have the consequence of raising corporate savings, thus accelerated capital accumulation, growth and structural changes (1996: 12).*

Also, Aoki *et al.* (1996:14) have persuasively argued that "if policy-induced rents are provided on the condition of fulfillment of an objective criterion, they may induce private agents to supply more goods that are undersupplied in the competitive process". In fact policy-induced rents that are transparently distributed are likely to force private agents to act to further the development objectives of the state. Put differently, transparently state-induced rents force private agents to work towards the goals defined by the state. These points are important lessons that we need to be cognizant of in South Africa's attempt to promote a black business class. A pertinent question to ask is whether or not the South African state is setting performance criteria for the emerging black business class, aimed at reducing inefficiency and wastage by black firms while at the same time rewarding those that meet set-targets. The carrot and stick approach to rent distribution, therefore, requires greater attention as part of the state efforts to promote black business.

It is partly in recognition of the shortcomings of the dominant model of BEE that the state has now come out with a BBBEE scorecard, with five main components, namely: “preferential procurement, employment equity, skills development, enterprise development and residual initiatives (industry specific and corporate social investment initiatives)” (DTI, 2005: 1). A rigorous implementation of the scorecard could help to overcome some of the shortcomings of the minimalist approach to BEE and by so doing a progression toward a maximalist approach would be achieved.

In addition to promoting a black business class, the emerging developmental state in the post-1994 period in South Africa has played a pivotal role in strengthening black business associations, ensuring greater unity among them and that they speak with one voice. Black businesspeople and associations have subsequently become more active in policy networks/CMs such as NEDLAC, the committees that draft the sectors’ charter’, and so on. These are in addition to the Presidential Black Business Working Group discussed earlier. As a consequence, black business influence on economic policy has increased. As noted earlier, black business associations - through the BEECOM report - were instrumental in shaping government’s BBBEE policies. Also it is important to point out that another source of influence for black business is that some of the leading business people are either ordinary members of the ANC or are members of its highest decision-making body, the National Executive Committee (NEC). This gives them access to key government officials as well as provides them with an avenue, through the NEC meetings, to influence economic policy.

### **7.3. Some General reflections on embeddedness in South Africa**

All the above notwithstanding, the point to emphasise is that state-coordinated embeddedness in South Africa, as elsewhere, has not been conflict-free. Some of the time it has been carried out unilaterally, with the abiding risk to undermine the state’s development project- strikes and protests by trade unions, protests by civil society groups and communities, investment strikes by business and the adoption of a non-negotiable macroeconomic policy by government. Nevertheless, state-induced embeddedness in post-apartheid South Africa has provided avenues for negotiation, compromise and reconciliation of goals between the state, business and trade unions. This has contributed to the emerging consensus around a shared growth witnessed in the governments unveiling of its new economic framework, ASGISA, in February 2006.

Luiz (1994) suggests that excessive embeddedness in South Africa may have constrained the capacity of the state, more specifically, its relative autonomy. According to him, “In South Africa, the ANC government is aggressively being lobbied by interest groups from the left and right” (p.606). This lobbying, in his view, accounted for the shift from the RDP to GEAR, which is a “reflection of the state’s incapacity” (p.594). Thus to enhance the

capacity of the state, he says what is needed is an authoritarian form of corporatism (as in Korea and Japan), where the state dominates and labour and business become mechanisms for transmitting state policy. For him, this is an option but it requires that the state has the political will to enforce its policy, preferably by co-opting these groups (in subordinate positions)” (Luiz, 2002: 606).

Such propositions underestimate both the degree of cooperation between the state and business, as well as the degree of cooperation between business and trade unions at factory level in South Korea. I want to suggest that what is important is the ability of the state to use its relative autonomy to elicit cooperation from interest groups, in a state coordinated state-society relationship rather than to dominate its social partners. A similar conclusion is reached by Campos and Root (1996) in their incisive account of the Asian NICs, when they observe that “...East Asian leaders secured the support of economic elites without compromising sound economic policy through mechanisms designed to facilitate consultation, cooperation, and coordination” (Campos and Root, 1996). I have earlier alluded to some of the factors that have hampered the capacity of the South African democratic state to build consensus around its vision of transformation. Furthermore, in the post-1994 context, the problem has been that consultation of, and participation by, interest groups in socio-economic policy are seen as the panacea for all problems. Also, it is becoming an end in itself rather than a means to an end. This is what Monteiro and de Tollenaere (n.d) refer to as “a cult for participation as a panacea” (p.11). In this context, there seems to be the perception, especially by trade unions, that the government cannot act on any issue without first consulting it. Similarly, some of the non-state actors, rather than constructively engage with the state as a development partner, and indicate what contributions they would make, see their involvement in economic policy-making as an opportunity to make demands on the state. Also, remnants of the apartheid legacy of adversarialism that characterised state-society relations have spilled over to the democratic dispensation. As the East Asian and Irish developmental states have shown success depends on all actors being ready to make sacrifices by making credible commitments to the actualization of their shared objectives. For example, in these countries, business seems committed to long-term investments, unlike the South African case. Thus one major weakness of the emerging South African developmental state is that while the state has demonstrated a commitment to growth, through among other things its stabilisation policy; and increased spending on social and economic infrastructure, both business and trade unions have not made reciprocal commitments. Worse, some of the non-state actors see themselves as having a veto power over government policies and initiatives. The result, as we have seen in Nedlac, is that consultations go on endlessly with stakeholders focusing on the minute details rather than on the broad vision. In the process, social partners lose sight of the strategic and broad vision. As a consequence, in spite of the high degree of state-society interactions in the democratic dispensation, a shared vision of national transformation remains elusive. Whether ASGISA will be this shared project remains to be seen. An important lesson to draw from the East Asian developmental states is that consultations should focus on the broad national objectives, with the state having to fill the details. Even this, both the trade unions and business will

have to make credible commitments and contributions to the realization of the objectives of ASGISA.

The fact that decisions are not reached rapidly in some of these forums, especially Nedlac, has become a source of frustration for government and partly accounts for the reluctance of cabinet ministers to attend the council's meetings of late. Gradually, the council is losing its relevance. Business convenor, Raymond Parsons, has rightly argued that where consultative processes become obstructive, government must move ahead with policy formulation and implementation (See Edigheji, 2003).

Lastly, the efficacy of societal participation has been hampered by focus on minor issues and by ideological wrangling. In the process, stakeholders tend to lose sight of the strategic vision and the broader picture.

## **8. THE EMERGING SOUTH AFRICAN DEVELOPMENTAL STATE AND PEOPLE'S CONTRACT**

The concept of a 'People's Contract' was the theme of the ANC manifesto for the 2004 general elections. The adoption of this theme was based on the recognition that in spite of major social and economic advances in the democratic dispensation, two major challenges, namely unemployment and poverty, remain. These are, undoubtedly, the main challenges for the second decade of democracy (ANC, 2004). The idea of 'A People's Contract' was, therefore, part of the recognition that the government alone would not be able to halve unemployment and poverty by the year 2014, and therefore will have to work closely with citizens and communities. A closer reading of the ANC 2004 manifesto shows that the concept of people's contract was also intended to inject democratic component into the emerging South African developmental state. But unlike the hey-days of GEAR with growth receiving an exclusive focus, the state will through the 'people's contract' pay greater attention to tackling unemployment and poverty, without undermining the growth imperatives. However, this prioritisation will not be at the expense of government's continued focus on achieving about 6% annual economic growth; they were conceived as complementary priorities.

Since the 2004 elections, government at all levels, have integrated the notion of a people's contract into their policies and it is often referred to by government officials. For example, the Gauteng Provincial Government's Department of Health, notes that,

*The people's contract requires us to mobilize society, to partner with support groups and to work with stakeholders on programmes to address key risk factors associated with preventable diseases and death.*

In the next 3 years we will work with Community based Organisations to train and deploy a minimum of 3000 community health care workers who will take the message of health promotion to households and communities. (Gauteng Department of Health, n.d: 3).

In analysing the people's contract, we need to cast our minds back to the nature of the relationship between the state, communities and civics in the post-1994 period. To a degree, it will be correct to argue that the rich and vibrant associational life, as well as people's organisations that characterised black communities organized in opposition to the apartheid regime and that was the basis for community self- governance, have all but evaporated in the post-1994. In the black communities, men and women, young and old, people of all faiths and denominations worked together to create towns and towns' halls, build and maintain civic centres, schools, libraries, roads and sport centres, and other social and physical infrastructure that benefited all in the communities. In this regard, one of South African leading public intellectuals, Xolela Mangcu (2006) has observed the following:

*To be sure we did not always shun local democracy. The 1970s and 1980s were the golden age of local government discourse. It was a conception of local politics that relied on the civic resources and capabilities of communities..., the civic mobilisation brought to the fore talented individuals who later came to play leadership roles at various levels of government structure.*

This was a society-centric approach to development and governance. These community based groups also organised themselves to oppose the apartheid regime. This is an approach that can be labelled "Everyday Politics". According to Botye (2004), 'Everyday Politics' recognizes people as the creators of a commonwealth, and thus the de-professionalisation of politics. Consequently, in the pre-democratic period, civic organisations mobilize the creative energies, especially of black South Africans in the development of local communities and ultimately in the struggle against apartheid. Cronin avers that,

*In the 1980s, in the midst of the rolling waves of semi-insurrectionary struggle, the "People Shall Govern!" vision was once more invoked. It was also enriched with deeper meaning in a thousand sites of struggle, in civics, in rural women's organisations, in shop stewards councils, in school classrooms, in the mushrooming of local newsletters, in liberation theology, in poetry, song and graphic design. In struggle, popular forces pitched against the apartheid regime increasingly fought not just against oppression, but also for something - for an alternative, if still rudimentary, popular power, "democratic organs of self-government". People's courts and self-governing street committees emerged in the township vacuum as black local authorities were chased away and the apartheid police retreated. In schools and universities alternative people's education days and courses were run. In the early 1990s, with the regime's counter-revolutionary violence escalating, communities constituted self-defence units (Cronin, 2005: 2).*

In contrast, development and governance have, today, become state-centric with citizens reduced to passive recipients of services delivered by the state. In fact, the dominant policy discourse today is that of service delivery. As Mangcu (2006) points out, “In official and popular parlance local government (*government in general*) represents nothing more than a distribution node in a transmission belt of goods and services. All hell breaks loose when the belt breaks down” (emphasis mine). Manuel (2004) in a speech at a conference of senior management in the public service basically defines their role as that of service delivery. He charged them thus “you are an essential part of the machinery tasked with delivering a better life for all South Africans”. This has a parallel in most developing countries immediately after political independence, where the general attitude, according to Monteiro and Tollenaere (n.d) was that “the State had to deliver rather than we have to deliver together”. Jeremy Cronin drew attention to this shift towards technocracy and service delivery by the new political and bureaucratic elite with its disempowering effects; the dominant mode today. While reflecting on the post-1994 period, he notes:

*You can see features of that, of a bureaucratization, cum technocracy...: Thanks very much. It was important that you were mobilised then, but now we are in power, in power on your behalf. Relax and we'll deliver. The struggle now is counter-productive. Mass mobilisation gets in the way. Don't worry. We've got a plan. (Cronin, 2002: 4. emphasis mine)*

No doubt, the concept of a people's contract is aimed, among other things, at promoting democratic development by ensuring greater citizens involvement in the process. I will quote Cronin in *extenso*, to capture this trend:

*A number of notable participatory practices and institutions have emerged more or less directly out of the pre-1994 popular struggle. These include community policing forums; school governing bodies; and ward committees in which, at least in terms of the law, councils are obliged to submit budgetary proposals and integrated development plans to popular local assemblies. Government has also increasingly instituted the practice of izimbizo - open-ended community meetings in church halls and township meeting places in which the president or ministers listen to community concerns and engage with their interlocutors, explaining policies, promising interventions and assigning officials to effect follow-up. Running through all of these realities is an implicit broadening of the meaning of government - that it is a matter of collective engagement and popular participation, and not something for elected representatives or state functionaries alone. (Cronin, 2005: 2).*

As Cronin correctly observed, the *izimbizo* and some of the other participatory processes and structures may be more in form than in substance as they are not done in an empowering way, that is, allowing communities decide for themselves. The incorporation of Khutsong from Gauteng into North West province as part of the demarcation process, and the subsequent protests against the move by the community, is illustrative of the fact that

consultations do not necessarily factor in the needs of the poor. The *Mail and Guardian* reports that “Residents charged that the people’s needs have not been taken into consideration and that the government should have asked them to which province they want to belong” (*Mail and Guardian*, 16 February 2006). A number of commentators have argued that these processes may actually reinforce and reproduce existing privileges since they are prone to being captured by dominant elites and middle classes (Edigheji, 2003; Friedman, 2005 and Cronin, 2005). In a way, this is reproducing and reinforcing what Manuel Castells (1996/7) refers to as the inclusionary and exclusionary logics of globalization. In our context, globalization is the incorporation of rich and middle class South Africans and exclusion of the poor and unemployed, who are mostly blacks and especially African women who live in informal settlements and rural areas. Poverty, unemployment, lack of access to basic social services remain the lived realities for millions, twelve years after the advent of non-racial democracy - the social advances in the post-1994 period notwithstanding. To a degree, this reproduces cheap labour for the formal economy, as maids, gardeners, and so on, who are paid a pittance by the middle and rich classes in the northern suburbs of our cities that are linked to the global economy. To millions in the informal settlements and rural areas, unemployment and underemployment remained their lived realities. I will show subsequently that technocracy is one of the main contributory factors why a people’s contract with the state to tackle poverty and unemployment is hollowing out. This is in addition to the earlier argument that the predication of the post-1994 social policy on cost recovery undermines the developmentalist ideology of the state. As a result, it is constraining its efforts to establish a people’s contract to fight poverty and unemployment.

While the state may have unwittingly hegemonised the discourse and practice of service delivery, some government officials are now murmuring against what they see as the culture of dependence among the poor, especially those dependent on state grants. I want to suggest that in the spirit of a people’s contract, the emerging South African developmental state should, in the long run, focus on land reform (and more broadly agrarian reforms) as a sustainable way to address unemployment and poverty among a relative large number of the people. There is empirical evidence to suggest that land reform has strong equity imperatives.

The “politics of service delivery” with its market orientation has been uncritically embraced by South African civil society, including the trade unions and the dominant urban based, non-embedded, and middle class run civil society. This period has also been marked by the disempowerment of people’s organisations while at the same time privileging disembedded civil society groups.

There is a need for conceptual clarification between people’s organisations and NGOs. People’s organisations are grassroots organisations, which in the South African context are referred to as civics. They include farm workers’ associations, women associations, drivers associations, community youth groups, students groups, teachers associations, religious associations, village associations, sport organisations, unemployed workers associations, etc. NGOs refer to “grassroots support organisations” (Karina Constantino-David, 1998). In the

democratic dispensation, while some NGOs claim to speak for and on behalf of the poor, they are considerably disconnected from local communities. No wonder these groups do not seem to know how to work with local communities to effect developmental changes and to create a commonwealth. Also, it was no surprise that civil society groups did not know how to respond to the desperate protests - about 1000 in all - we have witnessed in number of local and poor communities across the country since 2000 and reached a crescendo in 2005. Some in government rather than attempt to address the genuine grievances of these communities suggested that destabilising forces, that is, forces opposed to the “national democratic revolution”, were behind these protests. Hence they tried to use the National Intelligence Agency (NIA) to investigate the protests.

But there are other contradictions, the discourse of service delivery has, as pointed out above, also resulted in the technocratisation of governance and development, and a further drift away from the theory and practice of the people’s contract. Ideological cleavages tend to characterize present-day politics. The bitterness of this division limits the scope of citizens to work collaboratively in partnerships with government, for common social goods. It fosters conflict among citizens, communities, and organized interests, including political parties. Similarly, politics tends to be conceived only in terms of struggle over the distribution of wealth rather than the creation of a commonwealth.

This is how leading US political theorist, Harry Boyte, captures the adverse implications of technocratisation of politics on citizens.

*When politics becomes a property of professional elites, bureaucrats and consultants, most people are marginalised in the serious work of public affairs. Citizens are reduced to at most secondary roles as demanding consumers or altruistic volunteers. Moreover, with the transformation of mediating institutions ---, such as civil society think-tanks, ...became technical service providers - citizens lost all stake and standing in public world (Boyte, 2004: 4. emphasis mine).*

This approach to governance and development projects government officials as experts providing services to communities. According to Boyte (2004), “service is associated with other-directedness. The service giver (*in the South African case, government*), in focusing on the needs of those being served, adopts a stance of selflessness or disinterestedness. Service is the paradigmatic stance of the outside expert” (Boyte, 2004: 12. *emphasis mine*). This is coupled with what Cronin (2005) refers to as “vanguardist aloofness” (Cronin, 2005: 13) with citizens reduced to passive observers and recipients of services to be delivered by the state. It is based on the goodness of their heart, compassion, sympathy and indignation to the horror of underdevelopment and the legacies of apartheid that dehumanize a substantial part of the South African population. Organising and mobilisational politics become anathema in this paradigm. However, this approach fails to recognise that the collective actions of empowered citizens are necessary conditions for a people’s contract for development and democratic governance.

In the process, as Boyte (2004), correctly argued, “Everyday politics” which refers to citizen efforts, sometimes in partnership with government and sometimes independent of direct ties to government, which renew older, practical ideas of politics as negotiation and work across lines of diverse views, ideologies, backgrounds, and values to accomplish public tasks for the collective good of society, is lost. By so doing the concept of “politics” (from the Greek word, *politikos*, meaning “of the citizen”), dominant before the rise of modern parties, becomes a thing of the past. In the new South Africa, like much of today’s world, one consequence of these developments is a state-centric focus of politics, and by so doing the meaning of people’s contract is lost in everyday practice.

As Cronin (2005) correctly argues, “...“delivery” interventions from the state have, deliberately or unwittingly, served to demobilise working class communities. This is inherent in the top-down “delivery” paradigm that prevails. But it also exacerbated by the technical means often used, which atomise working class communities” (Cronin, 2005: 22). In addition, the various consultative forums have been less effective for a range of reasons, including the fact that poor people and the unemployed are not organized and are therefore not effectively represented. Also, information about consultative processes does not get to the people. Take the case of IDP consultations, where advertisements for such meetings are placed in newspapers. For one, most poor people cannot afford to buy newspapers nor, for that matter read the English language (the medium in which the adverts are placed). In consequence, the means of communication employed is not targeted at the poor with whom the state wants to forge a contract. In addition, even when they participate, the use of technical language, which state officials and their consultants often employed, are such that they disempowered the very people whom the state was supposed to forge a people’s contract with, which by its nature was intended to enrich the content and substance of democracy. That is, to move it beyond liberal democracy in which the main role assigned to citizens is voting every five years. Friedman *et.al* (2005) also report that officials and agencies that communicate with the people, especially the poor, tend to emphasise their preferred policy choices rather than give them information about all alternatives on the basis of which the poor could make informed choices.

Against this critical analysis, it is pertinent to bring *citizenship back-in to politics* through a people’s contract in order to have a developmental state that is also democratic. This should place an emphasis on cooperative work and deliberative traditions by bringing people together across lines of different parties, racial backgrounds, class divides and other differences for the common good. This is a crucial challenge for the emerging developmental state in the country’s new democracy. Its capacity to foster and achieve its developmental goals will be considerably dependent on its ability to promote a people’s contract, in an empowering way.

## 9. CONCLUSION

The analysis in this essay has pointed to a number of conclusions. The first is that the developmentalist ideology of the South African state has been tempered by the globalization imperatives, which, among others, give primacy to the needs of the market. As a result, the emerging South African developmental state has to act to restore investors' confidence in the economy. Also, along the same line, the government has to predicate its social policy on the principles of market fundamentalism, with access to basic services being conditioned on ability to pay. This approach is reconfiguring the relationship between the state and citizens. Thus will government continue to stress the relevance of the people in its policy, in actual practice citizens and people have been transformed to clients, users and customers. Flowing from this, one could conclude that citizens' democracy is being displaced by consumer democracy. A people's contract therefore requires a revisit of the development paradigm of the emerging democratic state.

With respect to the structural features of the state, I have tried to show that South Africa has embryonic institutional features of a developmental state. Thus, my argument that South Africa is an emerging developmental state. Among the noticeable developmental state's character of South Africa is that it has a leader with a clear vision and political will to promote a process of accumulation whose fruits would be shared by all. As a result, in spite of political pressure, key economic bureaucratic elites have been insulated from direct political pressure. This was exemplified by how GEAR was adopted and implemented. However, the absence of a consensus around a development vision within the ANC-led alliance has a negative spill-over effect: South Africa lacks a national vision of transformation. Put differently, there is no consensus around the development vision, neither within nor outside the ANC-led alliance. Consequently, the government has not been able to articulate a coherent and shared vision of development, on the basis of which to negotiate with interest groups. In other words, there is no national consensus on a vision of transformation. Therefore, embeddedness in South Africa has not had the desired effects as was the case in the East Asian NICs.

Another conclusion from the analysis is that some elements of NPM paradigm along which the state is being restructured, such as performance based contracts, rather than career paths for the bureaucratic elites, run counter to the principles of a developmental state. However, other elements of NPM, such as clear division of roles between the political and bureaucratic elites are in accordance with the structural features of a developmental state. Unfortunately, this has been adopted and implemented within a narrow technicist approach. In the process, the political elites have been marginalized in policy-making. Thus, the point made by Friedman *et.al.* (2005) that a technicist approach to public policy may not be enough. Therefore to achieve the optimal results, policy needs to be adaptable and suitable to the socio-political context. In this regard, the centrality of the role of the ANC-led alliance setting the broad policy parameters cannot be overemphasized.

One other embryonic element of the emerging democratic developmental state is the recognition of policy coordination, with the PCAS playing this coordinating role. To overcome its current limitations, the PCAS needs to be accorded the status of a superministry to be headed by the deputy president with the primary focus on economic and social policies. For the PCAS to be regarded as the engine room of government policy, it needs to increase its staff complements. These should be highly qualified individuals who should combine technical skills with a strong understanding of the developmental challenges facing the country. More importantly, these bureaucratic elites have to understand the socio-economic context, with an understanding that mechanistic approach to socio-economic policy would in the long-run militate against achieving a competitive economy and overcoming apartheid legacies of high unemployment and poverty.

Lastly, as South Africa strives to build a democratic developmental state, she should take the wise words of Matlosa (2006) to heart. He observes that “the construction of a developmental state especially under conditions of underdevelopment, *like ours in South Africa*, is bound to be a long and arduous process indeed” (Matlosa, 2006: 4. *emphasis mine*). The key is to be focused on the developmental challenges and constructing the institutions that will enable us as a country to overcome those challenges.

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