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Planning and Its Discontents: A critical appraisal of SA’s strategies for development and inclusive growth

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The South African people and government seem to have a penchant for long-term planning. Sometimes we claim that the Freedom Charter, which was adopted by the ANC and its alliance on 26 June 1955, was one of our first long-term plans. The Mont Fleur Scenarios written up in 1992 are often credited with having contributed to the settlement which was arrived at in the early 1990s, ushering in a non-racial democratic South Africa. Since South Africa’s first democratic election of 1994 we have produced four seminal long-term plans and a plethora of complementary ones. These long-term plans are the Reconstruction and Development Programme (RDP); the Growth, Employment and Redistribution framework referred to as GEAR and its complementary Accelerated Shared Growth Initiative of South Africa (AsgiSA); the New Growth Path (NGP) and now we have the National Development Plan (NDP). An important complementary plan is the triennially issued Industrial Policy Action Plan (IPAP) of the Department of Trade and Industry (DTI).

Underpinning these ‘grand plans’, the government has since 1994 been engaging in a particularly onerous (for public servants at least) budgeting and planning process. Whilst having many merits, this paper will not go into a consideration of that aspect of government planning. In essence each department has to produce a three-year rolling budget called the Medium Term Expenditure Framework (MTSF). A few years into its implementation the Medium Term Strategic Framework was introduced which, it is argued ad nauseum, is supposed to guide the budget.

This paper will seek to assess the efficacy of the ‘grand plans’. While the focus is on impact, it becomes necessary to examine the processes which were undertaken, some of the content and, most importantly, the context. All four endeavours were undertaken by an ANC-led government. The ANC itself is a multi-class organisation which has for several decades of the struggle against apartheid been in alliance with the progressive trade union movement organised under the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP).

In looking at the processes the paper would look at the level of broad involvement in the analysis and planning. Some of the four endeavours have been seen as the product of elite manipulation, hence it is useful to mention the personalities associated with the different plans. On the other hand some of the architects of the plans have consciously sought to involve large sections of the public. However, because of the ideological debates within the ANC and its allies, even such plans have come to be associated with individuals. Hence the RDP came to be associated with former COSATU SG and Minister in Mandela’s Cabinet, Jay Naidoo; GEAR and AsgiSA came to be associated with former President Thabo Mbeki and his Minister of Finance Trevor Manuel; former trade unionist and Minister of Economic Development Ebrahim Patel is associated with the NGP; while IPAP has been steered by Minister of Trade and Industry Rob Davies. The NDP, while endorsed by the ANC’s conference of 2012 and Zuma’s Cabinet, is closely associated with Minister of Planning in the

1 Adam Kahane, a facilitator of the discussion which led to the writing of the ‘scenarios’, remains its ardent praise singer (see www.montfluer.co.za/about/scenario.html). Not regarded as scenarios amongst those who practice the art, they did describe four possible futures which were the product of brainstorming sessions amongst about 20 leading figures in the South African political economy.

2 Yes you have correctly picked up the cynicism. Most MTSFs remain wish lists that the National Treasury then cuts down to size.

3 And through the officials involved in his office, it also came to be associated with the internal opposition to apartheid as embodied in the United Democratic Front.
Presidency, Trevor Manuel, and former businessman and current Deputy President of the ANC, Cyril Ramaphosa.

In looking at the content of the different plans, the paper shall be seeking to address the question whether there were continuities in the issues being identified. In other words, was each of the endeavours simply reinventing the wheel or was it deepening understanding of the issues being confronted and suggested novel ways of tackling the challenges. The paper shall assess impact in terms of the difference in practise a plan introduces and the extent to which it has been able to meet its objective – especially that of economic growth and societal development. In other words, was the process worth the time of the public servants involved, the expenses of the consultants and the trees felled in producing the plan? (It may be tempting to suggest the introduction of a carbon footprint measure of planning processes but that is not the remit of this paper.)

It is the paper’s contention that context is probably the most crucial factor in determining the success of a plan. This includes the self-evident notion that global economic development plays an important positive role in encouraging the growth of individual countries. What the paper will be especially focussing upon is the political context and the impact this has had on the plans being examined. While context is crucial, good leadership is essential. In looking at the manner in which different individuals were involved in the planning process, it shall conclude that leadership, or the lack thereof, contributes to the success of any plan. The paper shall, however, also conclude that because such planning has been largely the domain of elite contestation, it shall in its very DNA be timid and unable to shake off the shackles of the neo-liberal framework which most planning pays homage to.

Reconstruction and Development Programme

The ANC came to power in 1994 with the stated objective of transforming South African society. The Reconstruction and Development Programme (RDP) was to be the strategy which ensured that. The genesis of the RDP laid in the cementing of the electoral pact between the ANC and COSATU. Hein Marais argues that COSATU wanted its Reconstruction Accord to be adopted by the ANC “as a government programme once it assumed power. In return, COSATU would campaign for an ANC victory. The accord would eventually mature into the Reconstruction and Development Programme which formed a central plank in the ANC’s 1994 election campaign”⁴. In his preface to the document President Nelson Mandela wrote: “In preparing the document, and in taking it forward, we are building on the tradition of the Freedom Charter. In 1955, we actively involved people and their organisations in articulating their needs and aspirations. Once again we have consulted widely”⁵.

Consultation was the hallmark of the process of drawing up the RDP, notwithstanding its genesis. Many have argued that the ANC’s focus had been on gaining political power and preparing to govern, leaving it little time to develop detailed economic policy options. Marais makes a useful observation when he traces the manner in which the distinctly more left proposal of the Macro Economic Research Group (MERG) titled ‘Making Democracy Work’ was dealt with by the mainstream economic thinking in the ANC. Even though MERG had been established by the ANC, “by the time it (i.e. ‘Making Democracy Work’) arrived on the scene, it was seen to threaten the emerging consensus that was being assembled. Within three years, the ANC would apply the final nails to the coffin”⁶ in the form of GEAR. He argues that the ANC shifted from its radical

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⁶ Marais, *South Africa pushed*, 107-108
commitment to transforming South African society out of its colonial and exploitative past to a commitment to reconciliation, to accepting there was no alternative to the appeasement of domestic and international capital. Hence “the transformative thrust of the RDP was soon dispersed as the ANC pruned its potentially conflictual elements and refashioned it along consensual lines”.

The RDP was guided by six core principles: that it must be an integrated and sustainable programme; a people-driven process; contributes to peace and security for all; it must help in nation-building; and must link reconstruction and development with the democratisation of South Africa. It had five key programmes: meeting basic needs; developing human resources; building the economy; democratising the state and society, and implementing the RDP. The document insisted that “most of the expenditure on the RDP is not in fact new - rather it is the better organisation and rationalisation of existing systems that will unlock resources”. For this it said “we must improve the capacity of the financial sector to mobilise more resources and to direct these to activities set out in the RDP, from housing to small and medium-sized enterprises; we must ensure that electrification and telecommunications will be self-financing; existing funds must be reallocated and rationalisation must be effected in many areas; improved and reformed tax systems will collect more tax without having to raise tax levels (as the RDP succeeds, more taxpayers will be able to pay and revenue will rise), and new funds will be raised in a number of areas”.

However, as Ian Goldin and Chris Heymans noted in 1999: “Inevitably, the goals of the RDP are ambitious: embedding democracy; disentangling the costly and debilitating legacy of apartheid; accelerating economic growth and new opportunities; delivering affordable services equitably; and fundamentally transforming society, the economy and all spheres of government. Against this background ...the achievements of the RDP should not be measured only by the scale of delivery but also by its sustainability”. They pointed out that while “numbers are not everything” there had been significant strides made in the implementation of the programme. This spanned the full gamut of government’s delivery – 2 million new electricity connections, 3 million more people having access to water, more than 600 000 houses built, 250 000 jobs created through 1 000 municipal infrastructure projects, more than 1 000 new schools built and large tracts of land redistributed. However, they also warned that to undo the legacy of apartheid required “a fundamental overhaul of systems and approaches”. Furthermore, “the scarcity of resources demands that delivery priorities are carefully identified, reconciled and measured against each other...Delivery cannot wait until policies and procedures have been perfected, but it will either become ad hoc policies or simply reinforce old patterns if policies and systems are not transformed”.

Growth, Employment and Redistribution framework (GEAR)

There are very few issues in South Africa than can be more divisive than debates on GEAR. Depending on which side of the ANC broad church you fall in, being tarred with the GEAR epithet could be a badge of honour or a way to stymie your political career. Mbeki expressed his frustration when he said “Comrades appear to have forgotten that, having noted the fiscal crisis, characterised in part by a large budget deficit, and having called for new macroeconomic ratios, the RDP did not then go on to say that what these ratios should be. For some strange reason, when work is done to translate the perspective contained in the RDP into actual figures, this is then interpreted as a

7 Marais, South Africa pushed, 78
9 At the time Ian Goldin was Chief Executive Officer of the Development Bank of Southern Africa (DBSA), a leading agency of the RDP, while Chris Heymans was its Policy Manager.
10 Goldin, and Heymans. ‘Moulding a new society: The RDP in perspective’, 111
replacement of the RDP by GEAR”.  

Marais takes a contrarian view, arguing that “GEAR no doubt was a profound intervention, but it was a dramatic element of a longer narrative of restructuring that dates back to the halting efforts of the apartheid regime in the early 1980s and which now arcs forward beyond GEAR. It formed part of an evolving process that has not yet run its course”  

As we shall see below Terreblanche argues in the same vein.

Nicoli Natrass picks on the details of GEAR, arguing that the GEAR model “depends almost entirely on a wild guess”  

“GEAR should simply have outlined South Africa’s economic constraints and challenges, argued why specific proposed policy changes were likely to bring about a more stable, growth-oriented, investor-friendly environment, and stated that if investment responded positively, then sustainable improvements in living standards might be possible. A more humble approach coupled with greater clarity regarding how the deficit is to be cut, would have been more credible”.

GEAR was formulated in the wake of the call made by President Mandela in February 1996 at the opening of that year’s parliamentary session. He urged public and private sectors to develop and implement “a national vision to lift us out of this quagmire”. Capital responded to Mandela’s call by proposing a strategy called Growth for All, while the major union federations contained their proposals in a document called Social Equity and Job Creation. It’s common cause that GEAR was drawn up by a select group of economists with very little inputs from the ANC’s allies. Nicoli Natrass argued that GEAR and Growth for All are both located within a neoclassical economic growth theory but “moves beyond this by including a Keynesian concern for investor confidence and by positing an active and redistributive role for the state”.

The aim of GEAR was to push South Africa in a higher growth path which would create 400 000 jobs per annum, annual GDP growth rate to increase from the 3.5per cent achieved in 1996 to 6.1 per cent by 2000, provide for huge expenditure in infrastructure and improve exports by about 8.4per cent per annum. This was going to be achieved in various ways:  

- On the fiscal side the aim was to reduce the budget deficit from 6per cent in 1996 to 3per cent of GDP by 2000 by especially reducing government expenditure.
- Tax revenue was not to exceed 26.5per cent of the GDP.
- Private sector investment was to increase, especially in areas where SA held competitive advantages and which were labour absorbing, through tax incentives.
- Removing capital controls.
- Embarking on the path of limited privatisation.

For the purposes of this paper the fortunes of GEAR can be considered under three categories: macroeconomic stability, investment, and exports. According to the Ten Year Review, it was government’s view that macro-economic stability had been achieved: “The budget deficit has come down from 9.5per cent of gross domestic product (GDP) (including the deficits of the Bantustans) in 1993 to fractionally over 1per cent in 2002/03. Total public-sector debt has fallen from over 60per cent of GDP in 1994 to barely 50per cent of GDP in 2002/03. The net open forward position of the Reserve Bank has fallen from $25 billion in 1994 and $22.5 billion in 1998 (the highest level since

11 Thabo Mbeki. ‘Statement of the President of the African National Congress, Thabo Mbeki, at the 10th Congress of the South African Communist Party’ (Johannesburg, 2 July 1998), 4  
12 Marais, South Africa pushed to the limit, 137  
14 Natrass, ‘Gambling on investment’, 89  
15 Natrass, ‘Gambling on investment’, 76
1994) to zero in 2003, and foreign reserves have risen from one month’s import cover to two and half month’s import cover.” Also, “On average, per capita growth was negative in the decade before 1994. Since then, the economy has grown at a rate of 2.8 per cent per annum, on average”. Government was willing to accept that “In comparison to strong growing economies, this is a mediocre performance, although it is steady but an unspectacular performance compared with most developing economies”.

Mahomed Seeraj suggests that seeing this economic situation as one of macroeconomic stability shows “a neoliberal perspective” whereby “macroeconomic stability is defined as maintaining a low government budget deficit (or preferably a surplus) and low levels of inflation” which has “forgotten the currency crisis during 2001 when the rand depreciated by 35 per cent against the US dollar and the South African Reserve Bank responded by pushing interest rates up by 4 per cent within a year. The impact of the increase in interest rates was increased unemployment…and GDP annual growth dropped from 4.2 per cent in 2000 to 2.7 per cent in 2001, recovered to 3.7 per cent in 2002 and declined to 3.1 per cent in 2003”.  

According to government’s assessment the impact of the strategy on investment into South Africa was a mixed picture. “Investment as a percentage of GDP has averaged around 16 – 17 per cent, which is low by the standards of successful developing countries. In the 1960s, South Africa reached a level of 27 per cent and higher in some years. It is now at its lowest ever levels”. It explains that “Government investment was constrained by the tight fiscal policy in pursuit of macro-economic stability whilst parastatal investment was constrained by the restructuring of the State-owned enterprises”.

A key aspect of GEAR was the attraction of private investment into the economy. This had not been forthcoming and was acknowledged as follows: “The relatively low level of private-sector investment seems to derive from general concerns about the direction of government policy (more an expression of mistrust than reality), mediocre growth expectations, perceived costs of crime, elements of labour legislation and high interest rates.”

On the foreign direct investment side the Ten Year Review states that: “Since the immediate pre-1994 period, the country’s net FDI has been positive on balance, which is a turnaround from the massive outflows of the 1980s and early 1990s. Significant foreign investments have been seen…but relatively little of this is green-field investment, that is, investments into major new projects or plants”.

In his 1999 assessment, economist Stephen Gelb agrees with government’s own pessimistic assessment of investment attracted, arguing that while the annual growth of domestic fixed investments had dropped from 10.3 per cent in 1995 to 4.5 per cent in 1998 before the rand’s crash, “GEAR appeared to have succeeded in establishing credibility with portfolio investors, producing capital inflows and financial market gains”. But this, he argued, was not the healthiest of trends since the country needed more productive investors.

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16 The Presidency, *Towards a Ten Year Review*, (Pretoria: 2004), 34
18 The Presidency, *Towards a Ten Year Review*, 38
19 The Presidency, *Towards a Ten Year Review*, 35
in it for the long term. But their nervousness was due to the policy uncertainty amongst the social partners viz business, labour and government. “One way to ... raise fixed investment would be to build ‘sufficient consensus’ among the social partners. Or to put it another way, there is a direct relationship between the stocks of physical capital and social capital”.  

What about employment as a result of GEAR? According to the Ten Year Review “Between 1995 and 2002, the number of people employed in South Africa grew from 9 557 185 to 11 157 818. This represents 1 600 633 net new jobs. These are net new jobs because this is an increase in jobs after accounting for many jobs lost in some sectors. However, during the same period, the number of unemployed people grew from 1 909 468 to 4 271 302, an increase of 2 361 834 according to the strict definition. This includes an increase in the base numbers of those seeking work, which, now includes a greater proportion of women from rural areas. 2002 figures show that out of a total of 8.9 million workers (i.e. excluding employers, self-employed and those working without pay) 1 115 000 were temporary (12.5per cent), 567 000 were ‘casual’ (6.4per cent), 365 000 had fixed term contracts (4.1per cent) and 62 000 were seasonal (0.7per cent)”. 

Marais, looking at these same figures comes to a more critical conclusion about the impact of GEAR. He argues that:

- The growth of the South African economy was “hardly a spectacular performance in the context of a global boom”. Financial services was a major contributor growing, for example, at 10per cent in 2007. The services sector “rely heavily on outsourcing and subcontracting, new jobs tended to be of the low-wage, unstable variety”.
- The manufacturing sector “had become a net shredder of jobs” even though it had grown to 16per cent of GDP.
- Social grants had become the most powerful poverty alleviating tool. In urban areas poverty levels dropped from 27per cent in 2001 to 18per cent in 2006. But unemployment levels rose all across the country.

There have been many other voices which have declaimed the ANC’s rightwards lurch as embodied in GEAR. But when it includes the voice of an economist as eminent as Sampie Terreblanche, then many take notice. Terreblanche described the move as follows: “In biblical idiom, we have every reason to lament the fact that the ANC was deceived on such a massive scale by false prophets who led South Africa, not into the promised land, but a desert in which the poorer part of the population was doomed to live permanently in a systemic condition of abject poverty”.

End of the ‘Class of 1996 Project’

The election of Jacob Zuma in 2007 to the position of leader of the ANC on the back of support of an unwieldy alliance of the trade union movement, the SACP, and a range of elements who had some axe to grind with Thabo Mbeki was meant to herald the end of neo-classical and orthodox economic thinking. His installation as President of the country in 2009 ushered in a group of Ministers who were keen to place the blame of continued unemployment of millions of people, a dysfunctional education system and all other ills the country was facing on Mbeki’s head. The Cabinet appointments in 2009 reflected the disparate alliance which had brought Zuma to power.

This quickly manifested itself in different visions for economic growth. The New Growth Path, which was drawn up by the Ministry of Economic Development, and the National Development Plan, which

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21 Gelb, ‘Economic growth’, 158
22 The Presidency, Towards a Ten Year Review, 36
fell under the Minister in the Presidency, jostled for attention. The Industrial Policy Action Plan, drawn by the Ministry of Trade and Industry, reflected the Medium Term Expenditure Framework three-year cycles – but with a claimed ten-year economic outlook. The paper shall first look at the context which prevailed circa 2009 before considering these plans in some detail.

Government, in its Fifteen Review, noted that “The point of departure of the MTSF was that halving poverty and unemployment by 2014 required growth averaging 5 per cent a year till then. That would mean ratcheting growth to an average of 4,5 per cent a year from 2004 to 2009 and 6 per cent from 2010 to 2014. To overcome the constraints to the faster growth, government launched the Accelerated Shared Growth Initiative of South Africa (AsgiSA) in 2006, having systematically identified constraints to economic growth and inclusion as well as the interventions required”.

AsgiSA’s goal was to halve unemployment and poverty by 2014. It focused on six key “binding constraints” viz: volatility of the currency; problems with the national logistics system; shortage of skilled labour costs, as well as the higher cost of labour because of apartheid spatial patterns; barriers to entry for new businesses and investments; the regulatory burdens on SMMEs; weaknesses in state capacity and leadership. The interventions it recommended were to be seen as part of the prevailing economic policy and were organised under the following broad headings: macroeconomic issues; infrastructure programmes; industrial strategies; skills and education interventions; interventions in what was referred to as the second economy; and public administration issues.

Notwithstanding the constraints on growth the Fifteen Review noted progress had been made in the following areas:

- While GDP had grown on average at 3 per cent from 1994 to 2003, it had grown at 5 per cent from 2004 to 2007.
- Unemployment, as officially calculated, had peaked to 31.2 per cent in 2003 but with improved GDP figures it had been reduced to 23 per cent by 2007.
- Total public debt was 44 per cent of GDP in 1994; by 2008 it was below 20 per cent of GDP.
- Core inflation in 1991 was 18.9 per cent; between 1994 and 2008 it was consistently below 10 per cent.
- Government adopted inflation targeting in 2000, committed to a band of 3 to 6 per cent.
- The SARB had reduced the net open forward position to zero from a deficit of $25b in 1994 and had built foreign reserves to over $34b gross foreign reserves.
- Investor confidence had improved with the spread reducing from 291 points in 2001 to 94 in 2006. However, it cites the uncertain global economic environment and electricity outages contributing to an outflow of R21.7b in January 2008.
- Debt as a per centage of GDP was below 20 per cent in 2008.
- Between 1996 and 2006 revenue collection had quadrupled, with South Africa achieving a budget surplus in the 2006/2007 financial year.
- AsgiSA, coupled with an expansionary R482b infrastructure expenditure plan for the 2008 to 2011 period, is credited with having encouraged gross fixed investment.

24 The Presidency, *Towards a Fifteen Year Review.* ( Pretoria, 2009), 30

25 The term has been used to describe the two very different worlds that white and black South Africans live in. The first economy refers to the advanced capitalist part of South Africa, which most white South Africans occupy, and the second economy refers to the dire conditions in which the majority of black people live.

26 The Presidency, *Towards a Fifteen Year Review,* 31-35
But a mildly critical examination of the figures removes the gloss to expose the reality. Terreblanche, for example, points out that in “2008 the top 20 per cent (or 10 million individuals) received 74.7 per cent of total income, while the poorest 50 per cent (or 25 million individuals) received only 7.8 per cent. Further, 83 per cent of the whites (or 3.7 million individuals) were among the top 20 per cent of income receivers in 2008, while only 11 per cent Africans27 (or 4.4 million individuals) were among the top 20 per cent of the population; 25 per cent of coloured (or 1.1 million individuals) were among the top 20 per cent; and almost 60 per cent of Indians (or 740 000 individuals) were amongst the top 20 per cent”.28

He restates these figures in a very stark picture: “95 per cent of Africans (or 23.7 million individuals) were amongst the poorest 50 per cent of the population. The fact that the Gini-coefficient increased from 0.66 in 1992 to 0.70 in 2008 is an indication that income has become much more unequally distributed during the ‘democratic’ period”.29

Margret Chitiga-Mabugu, in looking at the post 2008/2009 South Africa, refers to “the three main challenges of unemployment, poverty and inequality bedevilling the economy”. She points out that using the narrow definition of unemployment, which excludes discouraged work seekers, stood at 25 per cent in the third quarter of 2011, while according to the broad definition it was 36 per cent.30 Poverty levels, measured as living on less than R3000 per annum, have also continued remaining high although it has been reduced from 40.6 per cent in 1993 to 33.2 per cent in 2004.31 Inequality continued blighting South Africa with South African whites having in 2008 average incomes of R75 297, Indians R 51 457, Coloureds R16 567 and Africans R 9 790.32

New Growth Path

The NGP is based on a two-pronged strategy:

1. Identifying areas where employment creation is possible on a large scale as a result of substantial changes in conditions in South Africa and globally.
2. Developing a policy package to facilitate employment creation in these areas, above all through:
   a. A comprehensive drive to enhance both social equity and competitiveness;
   b. Systemic changes to mobilise domestic investment around activities that can create sustainable employment; and
   c. Strong social dialogue to focus all stakeholders on encouraging growth in employment-creating activities”.33

How was this to be implemented? “In the very short run, the state can accelerate employment creation primarily through direct employment schemes, targeted subsidies and/or a more expansionary macroeconomic package. Over the short to medium term, it can support labour absorbing activities, especially in the agricultural value chain, light manufacturing and services, to

27 Racial terminology of the apartheid era has been retained by the South African government. Whilst a controversial practise, it nevertheless assists in tracking the progress, or the lack thereof, of the different race groups.
28 Terreblanche. Lost in Transformation, 80
29 Terreblanche. Lost in Transformation, 81
31 Chitiga-Mabugu, “The employment effect”, 172
32 Chitiga-Mabugu, “The employment effect”, 174
generate large-scale employment... In the longer run, as full employment is achieved, the state must increasingly support knowledge- and capital-intensive sectors in order to remain competitive”. One of the eye catching headlines of the NGP is its target to create 500 000 jobs per annum between 2010 and 2020 to create 5 million by the end of that period. Miriam Altman notes that “in the years from 2005 to 2008 the economy almost generated the targeted number of jobs. However, almost a million jobs were lost between 2008 and 2010”.34

Initial trade union disaffection with the NGP was around macroeconomic elements of the plan. Cosatu did not want microeconomic measures to address the need to create more jobs, it wanted a tax to be imposed on short-term capital flows and a clearer integration of social and economic policies. Looking at the potential of the NGP to reduce unemployment, Chitiga-Mabugu points out that “historically, economic growth in South Africa has not translated into employment. Therefore, among other strategies, there is a need to more vigorously support and boost growth in sectors that have the potential to employ more people, that is the labour-intensive sectors”. 35 Alerting us to the difficulty in achieving the NGP’s 500 000 jobs per annum forecast, Altman notes that “Mineral-exporting countries tend to have difficulty diversifying their industrial base, and also experience slower-than-average growth and high-inequality”.36

In 2007 the Department of Trade and Industry developed the National Industrial Policy Framework (NIPF) and the Industrial Policy Action Plan (IPAP). While the former was seen as a vision, the latter was supposed to operationalize it. IPAP was organised around thirteen aims with an emphasis on Industrial strategies which identified areas where SA had some competitive edge. These included natural resources; medium- technology sectors; advanced manufacturing and labour-intensive sectors. Other areas addressed included industrial financing; trade policy; skills and education; competition policy; public expenditure; upgrading of existing sectors; fostering of R&D; addressing the spatial inequalities of apartheid; supporting SMMEs; Black Economic Empowerment; addressing linkages with trade in Africa and improvements in the state agencies impacting on industry.

In his foreword to the most recent iteration, Minister Rob Davies pointed out that “The overriding goal of the IPAP is to prevent industrial decline and support the growth and diversification of South Africa’s manufacturing sector. The balance of international evidence is that manufacturing is the engine of growth and employment of all economies that have achieved high gross domestic product (GDP) and employment growth. Manufacturing can generate significant job creation directly as well as indirectly in a range of primary and service sector activities. At the same time, experience over the past year reinforces a point articulated in previous iterations of IPAP: namely, that industrial policy can and does succeed if it is well designed, adequately resourced and informed by robust and constructive stakeholder dialogue”.37

National Development Plan (NDP)

The NDP, issued in 2012, is the mother of all plans produced by the South African government. And currently there is a mother of all battles going on around it. Udesh Pillay notes that with the NGP the government had settled for state control and state intervention, with a huge role being allocated to the State-owned Enterprises (SOEs). He detects in this a “return of the state”, following the failure of

36 Altman, “Challenge of employment creation”, 199.
global markets, and shifts away from the hegemony of neoliberal ideology”. The NDP, on the other hand, has been described as continuing the neo-liberal agenda of GEAR. It does not help that the Minister chairing the National Planning Commission (NPC) which has produced the NDP is Trevor Manuel, who was intimately associated with GEAR while he was Minister of Finance under Mbeki, and the deputy chair is successful businessman and now Deputy President of the ANC, Cyril Ramaphosa. The 26-person NPC itself was drawn from a wide range of public nominations.

The first major milestone of the NPC was the issuing of a Diagnostic Report in 2011 which captured the nine key challenges being faced by South Africa in a frank and brutal manner. These were: the extremely high level of unemployment in South Africa; poor school education for black people; infrastructure that is poorly located, inadequate and under-maintained; spatial divides inherited from the apartheid era; an economy that is too resource intensive; poor public health system; uneven public services; high levels of corruption and divisions within South African society.

The National Development Plan released in 2012 identified objectives in 12 areas of development and nation-building and 18 key targets. On the basis of that, it proposes 119 specific steps to achieving its objectives. At its core lie six interlocking priorities: uniting all South Africans around a common programme to achieve prosperity and equity; promoting active citizenry to strengthen development, democracy and accountability; bringing about faster economic growth, higher investment and greater labour absorption; focusing on the capabilities of the people and the state; building a capable and developmental state; and encouraging strong leadership throughout society to work together to solve problems”.

Amongst the targets it sees being achieved by 2030 are: reducing the proportion of people living below the level of R418 (at 2009 figures) from the current 39 per cent of the population to zero, and reducing unemployment to 6 per cent in 2030 by creating an eleven million jobs; the manufacturing sectors growing by 50 per cent along the lines envisaged in the IPAP and the NGP; lowering the cost of living for the poorest by containing prices of basic commodities, spatial interventions that reduce workers’ expenditure on transport, the social safety net, and free basic services.

Perhaps keeping in mind the criticisms of previous documents such as GEAR, the NPC was consciously democratic in its approach. It undertook a consultation process reminiscent of the steps which led to the Freedom Charter, or more recently, underpinning the RDP. The communication tools ranged from town hall meetings to all the latest that recent communication technology could offer. However, there is no doubt that any such process is shaped by the context and tinged by the ideological hue of the authors: just as the Freedom Charter’s language depicts a distinctive leftish inclination, so too the NDP is firmly located at the centre of South African politics. In doing so it achieves one of the key objectives of the NPC: to be the basis of a national conversation. Hence Helen Zille, leader of the opposition Democratic Alliance, said “it points to an emerging consensus at the non-racial, progressive centre of South African politics”.

39 Themba Masilela points out that there have been regular commitments by the ANC to the notion of the developmental state, although this is not discussed in detail in this paper. These commitments began in mid-2005 at the ANC’s National General Council, reiterated at its 52nd electoral conference in Polokwane and featured in its 2009 election manifesto. See Themba Masilela. “A Review of the National Development Plan: Introducing politics and the state in South Africa”, in State of the Nation: South Africa 2012-2013, eds Udesh Pillay, Gerard Hagg, Francis Nyamnjoh. (Cape Town: HSRC Press, 2013). Pp 35-50
Some of the criticisms made by the SACP of the NDP include:

- Jeremy Cronin, Assistant General Secretary of the Party, dismissed the NDP as being fatally flawed, impossible to implement, its inequality reduction target as being “pathetic”, and it being weak on re-industrialisation, infrastructure provision and skills development.
- According to SACP General Secretary, Blade Nzimande, the party rejected the NDP as a “fit-for-implementation, off-the-shelf plan of action in its entirety”.

Cosatu has also issued a detailed a lengthy critique, the most fundamental of which are:

- The definition of unemployment in the NDP is narrow and does not include those who have been discouraged from seeking employment.
- Its target of 11 million job has “too many low-quality and unsustainable jobs” as opposed to “decent work”. Also, it depends disproportionately on exports, the SMME and service sectors, unlike the IPAP and NGP commitment to reindustrialising the economy.
- The NDP accepts a high level of inequality persisting until 2030. The bottom 40 per cent of society will have income of only 10 per cent of the total in 2030, from the current 6 per cent.

One can imagine Terreblanche pulling his grey hair when he asks: “Who is going to equalise the unequal power relations, the unequal property distribution and the unequal opportunities that must be put right before the NDP targets can be attained”. He argues that the poverty, unemployment and inequality (PUI) “problem became more severe since 1994 as a consequence of the unequal power relations that were institutionalised when the elite compromise embraced the ideologies of neoliberal globalism and market fundamentalism in 1993/94...After neoliberalism and market fundamentalism were embraced in 1996, and when it was decided that taxation and expenditure would remain a fixed proportion of GDP, it was not possible for the ANC government to implement a comprehensive redistribution policy. The elite compromise created the space for black elite formation, but not for a policy that would alleviate the poverty of the poorest 50 per cent in a meaningful way “.

Hennie Serfontein captured the current state of the fight over the NDP when he wrote that “The National Development Plan (NDP) is under attack from the leftwing of the African National Congress governing alliance... The hitherto hidden cracks started opening up and the NDP became the battleground for the ongoing factional battles within the alliance”. He pointed out that the NGP and IPAP “were enthusiastically endorsed by the left. In some quarters the plans are viewed as competing with the NDP but, in essence, they are action plans that together with other plans and programmes, should complement the overall NDP framework”. Joel Netshitenzhe, member of the NPC and Executive Director of Mapungubwe Institute, argues in the same vein that “Shorn of rhetoric, there is not much disagreement about the targets set out in the NDP... The proposal to reduce income inequality – as measured by the Gini coefficient – from 0.68 to 0.6 by 2030 is perhaps not ambitious enough”. But it should be understood” in the context of lowering the cost of living for the poorest through massive social transfers.

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42 Terreblanche, *Lost in Transformation*, 116
43 Terreblanche, *Lost in Transformation*, 119 - 121
As Serfontein notes “But for all their criticism from the left there have not been concrete proposals to improve the NDP, while the NDP commissioners themselves have said the document is not cast in stone and is an evolving, “living document” and a guiding framework only. It is especially the economic policy section and issues such as employment and the youth wage subsidy that are being and will be attacked by the left”.46 Netshitenzhe’s view is that “As the SACP correctly argues, we should not ‘demonise or canonise’ the NDP. But we should also avoid chipping it in increasingly strident tones to the extent of delegitimising it altogether. Otherwise the cats (we are trying to herd) will continue straying in all directions. The best approach is: debate while implementing!”

Escaping the iron cage

There are many lessons which can be drawn from this broad sweep of the state’s planning processes of the past twenty years.

- As the fight over the NDP wages on, Gelb’s warning that policy uncertainty would scare off the investors remains true to this day. The reluctance to invest in the South African economy, as well as the slide in ratings by ratings agencies, has largely been attributed to the continued bickering over policy – especially within government and the Tripartite Alliance.

- It may be tempting to suggest that the South African economy ran out of steam because of the global crisis of 2008-2009. And that its recovery depends on the recovery of the global economy. However, amongst the subjective factors which need to be considered is whether a fundamental overhaul of systems and approaches was ever achieved in the post-apartheid state. Given the state-centric nature of all four grand plans, it is unfortunate that state capacity does not seemed to have developed in tandem with the needs of the developmental state.

- How can we operationalise Altman’s observation that “more equitable income distribution enables the social stability essential for implementing economic policy that is supportive of long-term development”?47 (my italics). With the South African corporate sector sitting on a cash pile worth hundreds of billions of rands and with inequality widening perhaps it is time for the ANC government to bite the bullet and consider some of the radical suggestions being forwarded – especially a higher tax on the wealthiest; push through the youth wage subsidy over the heads of its trade union allies and turn government bureaucracy into a lean, clean and capable machinery.

What seems to appear from the experience of government planning in the first twenty years of South Africa’s democracy is that when there has been a reasonable level of alignment within the leadership structures of government, as was the case during the period of the RDP and GEAR, government can play a leading role in directing economic development. In the case of the former, alignment was assisted by the Tripartite Alliance of the ANC, Cosatu and the SACP being involved at some level in the formulation of the RDP, notwithstanding the reservations of Marais and others. In the case of the latter, there is no doubt that GEAR was able to make an impact because of the technical astuteness of the team around Mbeki as well as his firm leadership. In other words, leadership matters.

That is the hallmark of the developmental states. The oft-quoted examples of Japan, Korea and Taiwan have shown that coherent elites were better suited to foster faster industrialisation than in countries such as India where it was difficult to arrive at consensus. However, the inability of the South African elite, to which I add the trade union leadership, to arrive at consensus on how to get

46 Serfontein, “National development”
47 Altman, “Challenge of employment creation”, 216
the South African economy to embark on a sustainable growth path will continue stymying any of the well-thought plans being realised.

As I write these words on 31 August 2013 the Tripartite Alliance is locked in a meeting which has, amongst its priority items, the path to inclusive growth. Given the track record of the Alliance since the last election, South Africans are not holding their breath for any particularly spectacular display of leadership or flashes of brilliance in taking us out of the quagmire the country finds itself in.