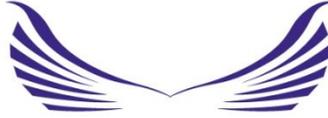




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The role of business in a developmental state

T. M Hogana

29640271

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ABSTRACT

This is an exploratory study with a purpose to gain an understanding of the role of business in a developmental state. The study was conducted in the Gauteng region. The study was done through face to face interviews with people working for the government and senior managers in the private business sector.

The study shows that business is willing to play a role in the South African developmental state. The government was found to be a constraint in the process of development of the country because of its lack to communicate the state policies. None of the interviewees understood the concept of a developmental state in the context of South Africa.

What was achieved from the attempted study was that South Africa is not ready to be a developmental state because of the incapacity of the government. The private sector was ready to participate in the development programmes but needed to understand what it means to be a developmental state in South Africa.



KEYWORDS

Developmental State, Business, Government, Institutions.

TABLE OF CONTENTS

1	CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM.....	3
1.1	INTRODUCTION	3
1.3	RESEARCH MOTIVATION.....	5
2	CHAPTER 2: LITERATURE REVIEW	9
2.1	DEVELOPMENTAL STATES.....	9
2.2	GLOBALISATION	12
2.3	CORRUPTION.....	14
2.4	INSTITUTIONS.....	14
2.5	POLITICS IN A DEVELOPMENTAL STATE.....	16
2.6	DEMOCRACY.....	17
2.7	GOVERNANCE	17
2.8	FUTURE OF THE DEVELOPMENTAL STATE MODEL.....	18
	BUSA 22	
	NEDLAC.....	22
2.8	DEVELOPMENT INTERVENTIONS IN SOUTH AFRICA	24
2.8.1	GROWTH, EMPLOYMENT AND REDESTRIBUTION - GEAR.....	24
2.8.2	ACCELERATED AND SHARED GROWTH SOUTH AFRICA.....	26
2.8.3	NEW GROWTH PATH	27
2.8.4	BUSINESS UNITY SOUTH AFRICA COMMENTERY ON NGP	31
2.9	LITERATURE REVIEW SUMMARY	33
3	CHAPTER 3: RESEARCH PROPOSITIONS	35
4	CHAPTER 4: RESEARCH METHODOLOGY	36
4.1	SAMPLING METHOD.....	36
4.2	METHOD OF DATA COLLECTION	39
4.3	ANALYSIS	40

4.4	LIMITATIONS OF THE RESEARCH.....	41
5	CHAPTER 5: RESULTS.....	42
	Research Proposition 1:.....	42
	Research Proposition 2:.....	45
	Research Proposition 3:.....	49
	Research Proposition 4:.....	57
6	CHAPTER 6: DISCUSSION OF RESULTS.....	60
6.1	Introduction	60
6.2	The developmental state concept is not sufficiently understood by Government and the Private Sector.....	60
6.3	Business plays a critical role in the implementation of the developmental state.	62
6.4	South African government lacks the capacity to implement the ideals of a developmental state.....	63
6.5	There is a need for a firm and improved relationship between government and the private sector.	66
7.	CHAPTER 7: CONCLUSION.....	68
7.1	INTRODUCTION	68
7.2	FINDINGS.....	68
7.3	RECOMENDATIONS.....	69
7.4	Business	70
	References:.....	71

1 CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

1.1 INTRODUCTION

The purpose of this research is to get a better understanding of the role that business can play in a South African developmental state.

South Africa is governed on the basis of the constitution which influences democracy and this phenomenon is not common in the other countries that have managed, in the past, to develop successful developmental states. Countries become developmental states after they have undergone the developmental state trajectory. South Africa can, therefore, not claim as this is a hind sight phenomena which may happen differently from country to country.

As stated by Gumede (2009) “ the developmental state generally refers to the model many of the East Asian nations pursued after the second world war to rapidly modernise their economies in one of the greatest industrialisation transformations of the modern era”. This approach provides us with a point of reference as to what triggered the developmental state concept but does not give us a relevant definition as to what constitutes a developmental state. Gumede (2009) also mentions that the concept was based on post World War II conditions. Some literature confirms that the East Asian developmental states were more authoritarian than democratic. The

success of these developmental states was based on the dominance of one political party and the coherence of the civil society to the state plan.

A series of literature has attempted to explain the phenomenon (Amsden 1989, Kim and Lau 1994, World Bank 1993). There is a common theme in the scholar's views that a successful developmental state needs state intervention to some degree. Questions can be asked around the developmental state concept such as, does history and culture of the country shape the individual state approach to a developmental state and can the developmental state model experienced in the East Asian Countries be replicated to other countries? The countries that became successful developmental states took different approaches to the model but are all classified as developmental states. The core of this research lies on the role of the business sector in the development of these economies.

The developmental state model, after an extensive literature review, includes the following components:

- Embedded autonomy of the state which connects the social structure to its bureaucracies.
- A powerful, competent, and insulated bureaucracy. This refers to a political network which offers sufficient space for the policies of the state to be initiated and effectively operated.
- A subordinated civil society which has a buy in into the ideology

- Close relationships between the elite bureaucracy and the private sector. The state does not replace private ownership as such but intervenes and instructs the private sectors according to national strategies.
- Legitimacy and performance of the state in terms of capacity to deliver.

1.3 RESEARCH MOTIVATION

The concept of a democratic developmental state is “a rare bird on the developmental scenes” Gumedde (2009). There is a need to understand how a country that is controlled by the constitution would formulate a developmental state. As rare as the democratic developmental state model, “Africa’s record in developing developmental states is poor” (*ibid*). This does not mean that developmental states do not exist in Africa. The African countries that managed to use the state effectively to stimulate high growth rates, boost trade and slash poverty are not necessarily democratic to the extent that South Africa is. There may be “free” elections in those countries but that does not have to elude us to the fact that they are democratic countries (*ibid*).

Joubert (2010) states that the “debate about South Africa's trade and industrial policy is anchored in the ambition of its becoming a developmental state, a poorly defined concept in the local discourse but touted as being the way to 7% real growth”. It is argued that South Africa has “a heavy regulatory burden, incompetence of government officials, high crime levels, skills shortages, corruption, high regulated prices and infrastructural constraints” (*Ibid*).

The interaction and relationship of all stakeholders in the economy of the country needs to be understood to be able to predict the potential of a developmental state. Bond (2009) argues that the introduction of developmental state phenomena discussion in South Africa is just another intervention that government wants to disguise its failures to deliver to the citizens. “The future certainly holds renewed disgust for “developmental state” confusions, but it is not clear in what combination these might generate renewed insurgencies inside the Zuma project, or via the eventual launch of a serious workers’ party, or simply in ongoing struggles of daily life against neoliberalism” (*ibid*)

Fritz and Menocal (2007) is of the view that “there is general agreement that better and more effective states are needed if development is to succeed in the world’s poorest countries” but there seems to be no formula as to how a developmental state should be established. Whether South Africa is a developmental state or is not ready to be a developmental state is a different argument which will not be visited in this paper. The core components of a developmental state will be revisited as agreed upon by the scholars, but the private sector will be imposed with the question of what role they can play to support and start up the process of a developmental state.

Bond (2009), points out the failures experienced in the South African economy but there seems to be no pure argument as to what the solutions should be. Bond (2009)

openly mentions the name of the conglomerates that made profits in South Africa but did not, in return, invest in the country but offshore, presumably, as a result of the ineffectiveness of the government. As he puts it “businesses did invest their South African profits, but not mainly in South Africa: dating from the time of political and economic liberalization, most of the largest Johannesburg Stock Exchange firms — Anglo American, DeBeers, Old Mutual, SA Breweries, Liberty Life, Gencor (now the core of BHP Billiton), Didata, Mondi and others — shifted their funding flows and even their primary share listings to overseas stock markets”.

This act by businesses can be interpreted as a sign of loss of confidence in the economy of South Africa or as an act of taking advantage of the globalisation of markets. Businesses are profit driven in their nature and would use opportunities at their disposal to maximise their performance and satisfy their shareholders (Karnani, 2011). “Firms seek to manage their environmental impacts as a means of achieving cost-based or differentiation-based advantages” (Eisner & Allen, 2011).

It is, therefore, credible to understand whether there is cohesion between the government policies and the private sector to fulfil the development required for South Africa.

A developmental state is pointed out as “impossible to manufacture” (Fritz & Menocal, 2007). The South African state, by making references to South Africa as striving to be a developmental state, is trying to manufacture a developmental state which, as

mentioned before, is out of the concept of a developmental state because the title is given to a state after it has undergone the trajectory of developmentalism.

1.4 RESEARCH PROBLEM

The research aims to explore how business would contribute to the success of a developmental state in South Africa. The focus will be on government and the private sector. The study will try to understand the relationship between government and the private sector. A cross-sectional approach of research will be adopted to explain what is happening between the two important parties in the South African developmental state.

2 CHAPTER 2: LITERATURE REVIEW

2.1 DEVELOPMENTAL STATES

The concept of the developmental state is commonly used in state-led economic planning. A developmental state has strong state intervention in the economy through policy formulation and implementation. In addition, in a developmental state, the state exercises extensive regulation and planning and controls the economy rigidly. Ian Taylor (2002) describes a developmental state model “as a state that pursues policies that coordinate investment plans; has a national development vision – implying that the state is an entrepreneurial agent; that engages in institution vision to promote growth and development; and that finally, plays a role in domestic conflict”. Vu (2007) is of the same view and he points out that a developmental state must focus on fundamental questions that address the roles of the state in industrial policies, including subsidising inputs, promoting exports, promoting performance, imposing performance standards on industries receiving state support and creation of industrial groups in key dynamic sectors.

Matlosa (2007) adds to the developmental state explanation the key factors that make up a developmental state as: (a) ideology; (b) institutional structure; (c) autonomy; and (d) social embeddedness and anchoring. He further points out that economic nationalism is important for the existence and functioning of a democratic developmental state. Matlosa (2007) proposes that “the emergence of a democratic developmental state should be marked by mutually reinforcing state society relations

on one hand and the complementary of state interventionism and market forces on the other.”

Wonik (2009) defines the success of a developmental state theory as a phenomena which “lies in its explanatory power, which suggest a starkly opposite message to the neo-classical one”. Wonik (2009) makes comparison in selected East Asian countries and concludes that those countries succeeded “by doing exactly what the World Bank told them not to do: selecting and disciplining industries and connecting bureaucrats to businesses”. The necessary elements required for a developmental state to be successful are “state autonomy (capacity and insulation), bureaucratic co-ordination institutions, and embeddedness”(ibid). Malaysia and Singapore development took place because of the “massive state intervention in the form of direct economic controls, by heavy state investments in infrastructure and by investments in state-owned corporations” (Means, 1996). The allocation of resources was in such that resources were allocated to the majority “without provoking the minority” (ibid).

Ciobanu and Ciulu (2010) argue that high development rate is as a result of managing imbalances in the economy. The country must “maintain and manage imbalances, provided that they do not generate unbearable imbalances” (ibid). The South Korean model has been studied by economists but there is no consensus as to what made it succeed (ibid). There were policy changes in the process before the system could work effectively. In the South Korean economic model the “state

acts as a decision centre, distributes capital and limit consumption of resources”
(ibid).

Mass and Miyajima (1993) view the success of Japan’s developmental state to be attributed to the “effectiveness of emerging industrial policies and intermediate organisations which supported both managerial enterprises and small and medium sized firms”

The success of a developmental state is not based on a successful copying of another country’s specific model. In a media briefing, the former vice President of South Africa, Phumzile Mlambo Ngcuka (2006) mentioned that South Africa has to figure out how to implement development based on its own constraints. There might be similarities between successful countries but each country “faces specific challenges in its attempt to move from mediocre to successful” *(Ibid)*. Poon (2009) shares the same sentiments and he suggested that South Africa should not try and copy what other developmental states did by using “one size fits all East Asian policy lessons”.

Lall,S. and Teubal,M (1998) argue that each country that wants to develop must look at its circumstances before deciding the necessary developmental interventions in the economy. It is argued that “as long as there are market failures and strategic needs; well-designed interventions will always promote faster development than free markets” (Lall & Teubal 1998).

2.2 GLOBALISATION

Globalisation of markets means that companies can trade outside the borders of the country they are based in. The role of government in a developmental state is to ascertain that the private sector and the elite of the country buy into the ideology of the state and commit to the development of the country. Hayashi (2010) argues that globalisation is not a threat to a developmental state as long as the economy of the country is stable and it grows. The state needs to understand what satisfies the local and global markets and concentrate on those industries. This leads to the state's economies being integrated into the global economy (Ibid).

The ideals of a developmental state require government's involvement in the trade by providing support mechanisms and creating an enabling environment for the economy to grow while protecting the people's interests and meeting the basic needs of the majority of the population as opposed to meeting the interests of a small elite.

The ANC is in a tripartite alliance with the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU). COSATU represents the majority of labour in the country through its affiliation with unions in different industries. Also, the labour force, which is predominantly black, is influential to the votes that decide on the ANC being in power. The members of the alliance are committed to the National Democratic Revolution which is based on the condition that the country's

development will be acceptable if it meets basic needs of the people, creates jobs and overcomes poverty (Smuts Ngonyama, 2000).

In the case of Singapore, the members of the ruling party and technocrats implemented a national economic policy after they had been excluded from the federation of Malaysia and forced into independence (Pereira, 2008). The Singapore government collaborated with the “industrial multinational corporations and offered incentives in the form of tax waivers and state’s provision of infrastructure” (*ibid*). The state also nationalised all labour unions by making all labour register under one union that is controlled by the state. This is a clear distinction to the South African environment where such arrangements will affect constitutional rights of the people. In the case of Singapore, development was driven by the state’s deep involvement in the economic matters by remaining committed to the ideology of developmentalism. This ensured that the government delivered growth, ensuring that its level of legitimacy remained high in the issues of economic management.

The private sector plays a critical role in the success of the developmental state. The relationship between the state and the private sector should not be antagonistic. The private sector has to be supportive of the ideals of the developmental state and government has to be cognisant of the role of the private sector. This, essentially, is what constitutes a firm foundation for a developmental state.

2.3 CORRUPTION

Corruption is another issue that is born with the success of a developmental state. Hayashi (2010) argues that no country is immune to corruption and many of the developing countries still achieve growth despite serious problems with corruption. Successfully developing countries are accompanied by sudden wealth that generates huge temptations. This phenomena is typical to the South African context but should not be used as an excuse not to implement developmental policies.

2.4 INSTITUTIONS

In the case of Japan, a firm state institution was formed to support the industry. The Ministry of International Trade and Industry (MITI) is a typical example of an institution formed by Japan when it positioned itself as a developmental state (Wonik, 2009). The state, in this case, formed an institution that was endowed with the legitimacy and authority to regulate and decide Japan's provision and administration of new capital (*ibid*).

The formation of MITI, over and above other government interventions, was to address the issue of states forming similar institutions which are not connected to the developmentalism ideology and are polarized by politics and personal and private interests.

Savage – Morton (1987) has a counter argument to the credit and praises given to MITI that it manufactured the growth miracle. MITI is another factor to the bigger picture of what happened in the growth of Japan. MITI was not the only player in formulating the policies but there were other stakeholders involved. MITI's strength and influence can be attributed to how embedded the stakeholders were to developmentalism. MITI was successful in overlooking and directing the economy but this was done through consultation where "there is no top down approach with the MITI dictating the course of action, there is also consensus from the bottom for the process to proceed" (*Ibid*). MITI was more consultative than dictating. Businesses were part of the formulation of the policies before they were passed (*Ibid*).

It is also common in the South African sphere that critics would look at the weakness of the South African government and its inability to formulate policies that are firm and effective to growth. Taking the case of Japan as an example, The role of the government in the development of the economy of Japan cannot be entirely attributed to well functioning of the state but also to businesses which did not get support from the state but continued to grow because of their entrepreneurial vigour and taking of risk, (Mortin, 1987).Furthermore, Mortin (1987) concludes that "the factors that contribute to economic growth must have had transcended industry policy, industrial sectors experienced growth regardless of whether they were assisted or not and some sectors that were not assisted did better than those that were assisted".

There is a prominent role that can be played by the private sector in the development of the country besides the hope that the government will get policies that suite a particular sector.

2.5 POLITICS IN A DEVELOPMENTAL STATE

Leftwich (2001) argues that there needs to be close collaboration between the government and the private sector. The cooperation between the state and the private sector was seen in the developmental trajectory of Korea and Japan where the state would deploy labour with skills and the private sector would do the same. The skills deployed were not the same from each side but it was complementary. The party politics referred to in this context are the politics between the government and the private sector. Both the private sector and the government need to have an embedded developmentalism ideology before a fair collaboration can be experienced (*ibid*). Randell (2007) refers to politics as the political parties participating in the economy and points us to the fact that the political parties are important in a developing country in monitoring democracy but not their party political interests in the economy.

The political sphere of South Africa has been dominated by the ANC since the first democratic elections in 1994. The party's interest in maintaining hegemony in the country may, arguably, inhibit the kind of interventions required to reduce corruption and increase state efficiency.

2.6 DEMOCRACY

A fundamental question is whether the developmental state is compatible with a state that respects human rights and is democratically governed. This is a matter which Randall (2007), in particular, explores in her contribution to this issue. Historically, many developmental states have been based on various forms of non-democratic political regimes: monarchies in nineteenth century Europe, capitalist dictatorships in South Korea and Taiwan, and communist authoritarian regimes in contemporary China and Vietnam. However, the fact that it is possible to name a good number of authoritarian developmental states does not settle the issue.

In a constitutional democracy, “democracy has an inherent tendency to disperse power and slow down decision-making processes, and it also makes the state less autonomous and less insulated from societal demands” (Fritz & Menocal, 2007). In these ‘hybrid’ regimes, combining traits of authoritarianism and democracy, political leaders confront increasing pressures to deliver but state capacity remains limited and accountability mechanisms remain weak. This combination can lead to increased citizen disenchantment and the further deinstitutionalisation of democratic structures (*Ibid*).

2.7 GOVERNANCE

Grindle (2007) argues that the idea of what represents good governance should be seen in the light “that touches all aspects of the political interaction, to decision making structures that determine priorities among public problems and allocate resources to

respond to them, to organisations that manage administrative systems and deliver goods and services to citizens. There must be an interface between officials and citizens in the political and bureaucracy arenas”. In South Africa, there is still a need to meet the basic needs of the people, such as education and health care, while developing the country to be competitive in the world economy (ASGISA: 2006).

The World Economic Forum (WEF) ranks South Africa, out of 139 countries, as scoring 129 in the pillar of health and primary education. Policies and the role of the government need to be unique and vastly different from the other developmental states.

2.8 FUTURE OF THE DEVELOPMENTAL STATE MODEL

Fritz and Menocal (2007) point out the way forward for developmental states in the new millennium. Their argument is on the fact that times have changed and looking only at the previous successes of the other developmental states is not enough. Fritz and Menocal (2007) state that the success of the East Asian countries, especially Brazil and India, has highlighted that even the market based economies “need a functioning and capable state”, the ability for the state to provide for the basic needs of its people and that the international community gets nervous with “malfunctioning” and “fragile states”. The points that are mentioned relate to the donor funds that are received by the developing countries which are determined by the stability and political will of the state towards developmentalism.

South Africa is a country where “79% of the 50m-strong population are black, 9% white, another 9% coloured (mixed-race) and 3% of Indian or Asian descent” (Economist, 2011). The political parties in the country are supported based on race but some opposition parties to the dominant ruling party, the African National Congress (ANC), are gaining support from other racial groups because of the lack of service delivery by the ruling party. According to the Economist (2011), “the ruling party still gets the support of the vast majority of black voters” but this is changing as service delivery is frustrating the citizen of the country and “minorities—Indians and coloureds, as well as whites—are beginning to have their doubts” about the legitimacy of the ANC.

In South Africa “13% of the population lives in first-world conditions, and 50% in a developing country with a quarter of this group having access to running water and electricity and half having access to primary education. The GINI index places South Africa among the 10 countries with the greatest disparity of income in the world” (Swiss Economic Development Cooperation: 2009).

The World Economic Forum (2011) made recommendations on the future of governments for the 21st Century. The recommendations were based on what was currently happening around the world in terms of how governments handle their

internal politics, technology developments and inter-government relations. The following are some of the issues in governments and recommendations;

- Governments should focus strongly on building capacity to operate effectively in complex, interdependent networks of organisations and systems across the public, private and non-profit sectors to co produce public value.
- Government institutions are staffed by civil servants who are the key implementers of policies. Private Public Partnerships and citizen engagement supplement but do not replace the civil servants. Civil servants will require cultural change, incentives and professional education and training. Middle and upper level civil servants are networked with their counterparts in the private sector, civil society and other governments. Governments are the most important organisations and need decision makers and administrators of the highest calibre equipped with the mindset and skills for innovation and adoption.

Government should modernise their civil service to accelerate innovation in government. Civil servants should be trained with emphasis in public management in an interdependent, technologically sophisticated world (World Economic Forum: 2011).

Business Confidence Indicators in the South African Economy

According to the Industrial Development Corporation's Economic Trends report (2011), the following is the economic position of the country;

- Renewed optimism over growth prospects for the South African economy is being reflected in the central bank's leading business cycle indicator. It reached an all-time high of 134.2 last January, with the upward trend firmly entrenched.
- Providing an indication of economic performance in about 6 to 12 months time, this indicator has rebounded strongly since early 2009. However, the pace of growth in the leading indicator has slowed considerably, with the year-on-year rate of increase decelerating from a high of 24% in April 2010 to 5.5% by January 2011.
- Nonetheless, the current trend in the leading indicator is supportive of sustained economic growth in 2011, with the IDC forecasting GDP to expand by 3.4% this year.
- The coincident indicator has also embarked on an upward trend, thereby confirming the improved economic conditions at the present time.
- Business confidence in the domestic economy improved sharply in the 1st quarter of 2011, breaching the 50 point mark for the first time in 3 years.
- The manufacturing sector is also showing welcome signs of a recovery, as confidence levels continue to rise, providing increased optimism about growth prospects for this sector. However, the upturn in manufacturing

confidence is still highly concentrated in a few sub-sectors, such as beverages, paper and transport.

- Confidence levels in the retail sector also recovered strongly in 2010 as domestic conditions improved, but fell to some extent in the opening quarter of 2011.
- The exuberance in the motor trade sector continues as reflected by a strong rebound in business confidence from 29 index points in the 4th quarter of 2009 to 84 by the 1st quarter

BUSA

Business Unity South Africa (BUSA) is a combination of business organisations that are representing different racial groups within South Africa. The organisation represents its members by engaging with government on issues affecting businesses in South Africa (BUSA,n.d.). This unity driven organisation is a sign that businesses are willing to work together, be it a black dominated business or white dominated business. The next step would be to find means to strengthen the relationship and find ways to close the gap between business and government so that there is mutual respect and understanding when policies affecting stakeholders are passed in the economy.

NEDLAC

The National Economic Development and Labour Council (NEDLAC) was formed after the 1994 National elections as a developmental council that would form a platform for

stakeholders to engage and voice their concerns in the economy of the new democratic South Africa (NEDLAC, n.d.). The council was launched by the ruling party, the African National Congress (ANC) under the, then, President Nelson Mandela. It was viewed that this organisation would form a platform where “social development and economic issues” would be discussed and resolved thus leading to the development of the country. This was a critical time in the economy of South Africa where the country had just voted for the first black president and the economy was struggling as a result of sanctions imposed on the country because of the apartheid policies. The council was established to represent all stakeholders in the economy without prejudice to gender or skin colour, in contrast to the pre-1994 National elections economic environment.

NEDLAC is made up of stakeholders in the economy, as follows;

- Organised Business - Business Unity South Africa represents this sector,
- Organised labour - Cosatu, Fedusa and Nactu
- Government – key tactical people are invited to the forum and participate on ad hoc basis.
- Community Constituency – a number of organisations are represented in the forum

In the founding declaration signed on the 18 February 1995, the council was established to facilitate growth in the economy through participation by all South Africans. Growth was interpreted in relation to addressing the inequalities in the country during apartheid (NEDLAC, n.d.). A collective solution was sort for the country to move forward through collective policy formulation and establishment of the rules of

engagement in different sectors of the economy, (NEDLAC). This initiative is in line with the developmental states as seen all over the world. It may be not so much the case for the Asian Tigers because labour was not as involved in policy making as in the South African approach.

2.8 DEVELOPMENT INTERVENTIONS IN SOUTH AFRICA

To give a sense of how South Africa has progressed in policy implementation in the past 17 years, a summary of the three major interventions in the economy will be presented. The three interventions are;

- Growth, Employment and Redistribution (GEAR),
- Accelerated and Shared Growth South Africa (ASGISA) and the
- New Growth Path (NGP).

2.8.1 GROWTH, EMPLOYMENT AND REDESTRIBUTION - GEAR

Growth, Employment and Redistribution (GEAR) was introduced by Trevor Manuel in June 1996. The strategy of the policy was to set government goals towards development. The policy displayed the commitment of the government to privatisation, open markets and creating a favourable investment climate. The policy framework revolved around South Africa becoming a global market player. Prosperity in business coupled by capital expenditure by the government was seen as the direction to be

taken by the country if unemployment issues had to be overcome. The government wanted to achieve a GDP growth of 6% by 2000 and create 400 000 new jobs each year.

As part of the strategy, the public and private sector wages were to be kept in check while incentives were to be offered to businesses so that the economy is attractive to trade. Business was expected to grow at 12 percent between 1995 and 2005 (Treasury, n.d.).

Small, medium and micro enterprises were supported by the policies with new institutions formed to support these businesses. Established businesses were going to be assisted to have better exposure to the international business economy through the World Trade Organisation (WTO). Education and basic health care were seen as the major social areas that had to be fixed for redistribution of wealth to take place in the country.

In addition, the government was going to be restructured with non-core assets being disposed of or privatised. The government policies reflected government's determination in concentrating in things that it has direct control like the fiscal, monetary, trade, industry and labour policies. Government would have a clear policy

coordination role and departments were to be restructured with institutions following suit.

2.8.2 ACCELERATED AND SHARED GROWTH SOUTH AFRICA

In 2004, Accelerated and Shared Growth South Africa (ASGISA) was introduced with the main objective being to half poverty and unemployment by 2014 (ASGISA: 2007). Accelerated growth plan focused more on implementation of government plans by revisiting government policies and institutions mandated with the development. Mlambo-Ngcuka (2006) pointed out the following key areas in ASGISA:

- The impact of the apartheid education system and shortage of skills
- Deficiency in state organisation, capacity and leadership
- Regulatory environment issues that affect a meaningful participation of SMME's in the economy

The intervention of the government in these issues is in line with the common traits of a developmental state but there are key issues that have to be sorted for the country to consider a developmental state approach.

Subsequent to another round of national elections in 2009, a new President was elected, President Jacob Zuma, and a new policy was introduced, the New Growth Path.

As part of achieving unemployment South Africa needs to understand how human resources will be allocated to development projects that form part of the developmental objectives. Liobanu and Ciulu (2010) refer to the solution as a “classical analysis of technical development”. Before the solutions are identified, there are other priorities that need to be evaluated, such as;

- Scientific progress
- Technical and technological progress
- Change of job tasks
- Change of job qualifications
- Change of diplomas required

Development of technology assists in a developmental stage in the economy. The development of such technology must be coupled with identification and co-ordination of labour. Labour must be co-ordinated “to generate new knowledge that can be embodied in new productive input”. This ensures that the skill in the labour market is aligned with the new technology and “complements it” (Ferlege & Lazonick, 1993).

2.8.3 NEW GROWTH PATH

The New Growth Path (NGP) was introduced on the 23 November 2010 by Minister Ebrahim Pattel. In his introduction, the minister said “this document reflects Government’s commitment to prioritising employment creation in all economic policies.

The centrepiece of the new growth path is a massive investment in infrastructure and people through skills development, together with smart government and better coordination with the private sector and organised labour so that we can achieve our national goals” (Patel, 2010).

The Minister also acknowledged the need for a partnership with business where business is engaged and assisted to create more labour absorbing opportunities in the economy. According to the plan, government, business and labour need to start engaging and mapping out how they will engage with each other in a manner that benefits all parties while fostering development. Solidarity and sacrifices in wage negotiations and between certain income groups in the labour market were discussed. In the NGP, a proposal was made for high income earning individuals to have their annual increases capped to inflation while labour in the lower income bracket were to be given annual increases that are above inflation (*ibid*).

The NGP was established to have a more coordinated state where the number of institutions is reduced to achieve better coordination. Development finance institutions are mandated to develop innovative ways to finance initiatives that are in line with development priorities. The government would also maintain the social grants while concentrating on improving the basic needs of the poor i.e. access to housing, health and education.

Edigheji (2007) affirms the importance of the interventions of the state and taking South Africa as being successful since 1994. “Since the state is expected to intervene and direct the economy towards progressive development and the stance of the South African government to intervene in the economy, especially by promoting the policy of Growth Employment and Redistribution (GEAR)” (*Ibid*).

Natrrass (2011) argues that the NGP plan tables all the challenges that South Africa is facing and, as presented in the NGP plan, South Africa is far from becoming a developmental state. The NGP plan is presented as “a vision rather than a plan or a projection” and it is presented with broad terms rather than a clear tabulation as to how all these objectives will be achieved (*Ibid*). In support of small emerging businesses, the NGP talks about the “name and shame” campaigns in an attempt to force the departments to pay suppliers on time.

In essence, such campaigns reflect the incapability of the government and the elected key people mandated to enforce policies. For South Africa to be a developmental state, it needs to “improve government efficiency and reduce corruption and rent – seeking” (Natrrass, 2011).

In the State of the Nation Address delivered by the current President of the Republic of South Africa, Jacob Zuma, on 10 February 2011, the president acknowledged the SMME's as a critical component of job creation. He committed that the government "will continue to provide financial and non-financial support to small, medium, and micro enterprises (SMMEs), small scale agriculture as well as cooperatives". This was extended to say the government will "cut administrative costs, avoid duplication and direct more resources to small business." The speech also alluded to the Department of Public Works launching its initiative called Re Ya Patala as a form of trying to assist the SMMEs.

Minister of Public Enterprise, Malusi Gigaba, in his public lecture at the University of Witwatersrand on the 7th June 2011, Department of Public Enterprises (2011), agrees with the notion that the state must lead the economy and not be lead by private interest in the economy. The various challenges in the economy have to be faced and interventions applied. The Minister acknowledged that there is still a long way before a clear understanding of what we presume a developmental state to be and what the role of government should be, but understands that the challenges have to be addressed through state intervention.

In Malusi Gigaba's lecture he mentions the need for State Owned Enterprises (SOE's) to start engaging with their suppliers in a much more meaningful manner.

To achieve the goals of the developmental state ideology, capacity and skilled people are required in the SOE's and institutions to deliver the objectives associated with the NGP. In contrary to the view of Nattrass (2011) that the plan is more of a vision than a plan, the NGP is a plan that acknowledges the weaknesses in the system and it is a good starting point because the government has fully articulated its vision.

To achieve a developmental state you need to “develop governance capabilities that manage the interplay of key-actors in society, in a way which continuously allows for the emergence of common interest between them” (Malusi Gigaba, 2010). In engaging business and to draw it into the economic system, there needs to be a change in the incentives structure so that private interests are aligned with the national interests.

2.8.4 BUSINESS UNITY SOUTH AFRICA COMMENTARY ON NGP

In a discussion document prepared by BUSA in 2010, the concerns in the economy are related to the dichotomy of the economy which is attributed to the Apartheid legacy. The paper seeks to predict South Africa's future to 2025. In this paper, South Africa is viewed as being competitive, amongst other areas, in accountability of the private institutions and the financial sector. The country is ranked low on the

policies that are meant to promote entrepreneurship, such as labour laws and other regulatory issues.

In comparison to similar countries – Brazil, Chile, Ghana, Malaysia and China, in terms of business collaboration with government;

“South Africa could look to the spirit of commitment as that is evidenced in the level of partnership and collaboration between government and business as evident in the cases of Brazil, Chile and Malaysia. Very special attention needs to be paid to Malaysia New Growth Path which deals with many of the issues that South Africa needs to deal with in a very direct and honest manner as a table of Strategic Reform Initiatives (SRI)” (BUSA, 2010).

BUSA’s suggested model moving forward in delivering the NGP is as follows;

1. Back to basics in education – world class and placement oriented and accessible to all
2. Skills Development
3. A Delivery State – Policies and institutions aligned and monitored to deliver
4. Regional Infrastructure – common economic union with economic and social infrastructure
5. Inclusive wage setting – wages reflecting skills and productivity, with entry wages facilitating entry to employment

Coupled with the above points, other important issues to be addressed include support for SMMEs and access to capital, reduce red tape and costs of doing business.

BUSA emphasises the need for government to bring in other stakeholders into the discussion of the NGP and its implementation. It makes reference to the collaboration that took place in South Africa leading to the 1994 Democratic South Africa as the basis of the interaction between all stakeholders.

2.9 LITERATURE REVIEW SUMMARY

As mentioned in the introduction, South Africa has been in the debate about the construction of a developmental state. There is no doubt that the South African concept of a developmental state needs more than a concept but a practicality view. This is demonstrated by the fact that the key elements of a developmental state are not clearly demonstrated in the economy, with the exception of the financial sector. Bond (2009) defines a developmental state in South Africa as “a combination of macroeconomic neoliberalism and unsustainable megaproject development, dressed up with rather tokenistic social welfare policy and rhetorical support for a more coherent industrial policy. Clearly, Bond’s view is that the South African state is not a developmental state and has failed as a developmental state.

There is consensus in the literature reviewed on whether importance of a partnership between the government and business in determining the success of the developmental state.

Based on some key finding emanating from the literature review, some propositions have been formulated to guide the research presentation of findings and analysis of findings. The next chapter outlines the propositions of the study.

3 CHAPTER 3: RESEARCH PROPOSITIONS

An understanding of the concept of the developmental state as it is understood in South Africa is a key starting point for the research. The concept has been used successfully by other countries but each country has used a different approach to the concept. It is important to understand what the developmental state ideology means to the Government and the private sector in South Africa. Both the Government and the private sector play a key role in a developmental state but the relationship between government and business is not clear. The study will be an exploratory study to answer the following propositions;

1. The developmental state concept is not sufficiently understood by Government and the Private Sector
2. Business plays a critical role in the implementation of a Developmental State
3. South African government lacks the capacity to implement the ideals of a Developmental State.
4. There is a need for a firm and improved relationship between government and the private sector.

4 CHAPTER 4: RESEARCH METHODOLOGY

The research aims to establish the role that the business sector in South Africa as a developmental state.

The qualitative research method was used to carry out the research. Bryman (1988) refers to a qualitative method of research as a ‘sustained immersion of the researcher among those whom he or she seeks to study with a view to generating a rounded, in-depth account of the group, organisation, or whatever’. This method was based on the intention to understand the different views of business as they operate in South Africa.

The approach was cross-sectional and exploratory. Exploratory research seeks to find out “what is happening; seek new insights; to ask questions and to assess phenomena in a new light” (Robson 2002: 59).

4.1 SAMPLING METHOD

The snowball sampling method was used to select the participants. According to Creswell (2007), the population in a snowball sample may not be representative but the cases will have the characteristics desired.

After conducting the interviews, the researcher asked each of the interviewees to recommend someone whom they thought would be in a position to answer the questions with insight. In most cases, the interviewees were happy to refer the researcher to one of their contacts in government or in the private sector. Some of

the referrals that were recommended by the participants were not available to participate in the research but they referred the researcher to the next best person. The calibre of people referred was constant in terms of the positions that they held in the organisations that they worked in but the sizes of their organisations varied. The researcher deliberately sought people who held high positions in both state-owned enterprises as well as the private sector. Participants were selected based on the following criteria;

- Designation in their workplace /business
- The business should be at least three years in operation
- The participants must be based in South Africa

State participants were qualified based on the following criteria;

- They must hold a strategic position in the state owned entity
- They must hold a strategy position in a government institution

The sample size was 13 interviews. Profile of the participants is attached as Annexure B.

As a sample, 58% was private business and 33% was state owned enterprises and institutions. The main interest in the study was to understand the views of business towards the developmental state ideology. The participation of the state arms is to understand their view on the business willingness to participate in the government objectives.

BUSA was approached because it is an organisation that would have an overall understanding of the state interaction with business. There was only one employee of BUSA that was available for an interview.

Businesses in different economic sectors were interviewed so as to achieve a wider perspective of the state of affairs in the general relationship of the state with business. The choice of this approach was to achieve a representative business sphere as a whole, from a small business to a multinational operator.

Out of the total number of businesses interviewed, 57% of the participants are members of companies that rely, directly, on government projects for their revenue.

Other companies directly sell their services to the end user but are affected by the policies of the government as they operate in South Africa.

4.2 METHOD OF DATA COLLECTION

The research was conducted in the Gauteng region. All interviews, except one, were face to face interviews. Only one participant was pressed for time and requested that the interview schedule be sent to him and he would respond via email.

An interview schedule with open ended questions was developed in order to guide the researcher. While conducting the interviews, the researcher followed up on critical issues that were raised by the respondents and also probed the interviewees in order for them to explain their assertions more clearly.

The intention of the research was to collect the data through this method and formulate themes and patterns from the interviews. The themes and patterns were then presented in relation to their significance from the interviews. The interview discussions were recorded with the interviewer noting key comments.

Requests for the interviews were sent indicating that the session would take 30 minutes. The durations of the interviews varied in each case with some participants responding in short expressions to every question. On the other hand, some participants set time to hold the interview in a relaxed mode. The minimum time for the interviews was 15 minutes and the maximum time was 2 hours.

The researcher started by introducing himself to the participants and explaining what the research was about and what the researcher expected from the interviewees. All the participants preferred that their names not be included as part of the report as they work, either for the state / government or do business with the state / government. As part of this report, the participants also requested that their views be clearly mentioned as representing their personal views and not that of their organizations.

4.3 ANALYSIS

Analysis was done by following themes from the interviews. A view from an academic was used to firm up the literature and assess the South African context of the study. The analysis was done in sections in such that government views are separated from business views. In doing this, the researcher wanted to reflect the sentiments of each stakeholder in the economy. Thereafter, the views were consolidated to assess the common views between the stakeholders to draw a

conclusion. The method would assist in understanding the possible issues that would have to be addressed for the two parties to be aligned in the economy.

4.4 LIMITATIONS OF THE RESEARCH

The bias of snowballing is that the people who were referred to the researcher may be similar or have similar views as the person interviewed. This will result to similar views rather than a variety of views within the chosen population. Also, as the population in a snowball sample may not be representative, the cases had the characteristics desired.

The researcher acknowledges that the small sample does not represent the wider business society because of its size. The probability of the views expressed by the participants will, therefore, be indicative of the possible situation in the business society. The research will not be conclusive but suggestive in its nature.

5 CHAPTER 5: RESULTS

Research Proposition 1:

The developmental state concept is not sufficiently understood by Government and the private sector:

One view on the definition of a developmental state was that it is “a sort of a partnership happening between business, labour and government”.

One of the participants said that, in the South African context, the developmental state concept is used in a different light as a state that is not authoritarian and not necessarily a hard state. The participant said that there were examples of hard democratic developmental states, such as Britain, under Margaret Thatcher, but there is not one soft democratic developmental state that the participant could think of. The interviewee explained that a hard democratic developmental state is a state that is able to “push tough policy, tough economic agenda when the country needs it”.

The participants did not understand the definition of a developmental state as presented by the South African government.

One of the participants understood a developmental state as “a state where government can intervene, government can play a predominant role and sort of direct where the country goes, they (government) should have an influence”.

The general understanding of a developmental state was common with most participants but stated differently. Some participants had an idea of what is a developmental state but confirmed that they are not sure what it means for South Africa.

There was a common trend from the participants that South Africa should not rush into bragging about a developmental state when it has some issues that need to be sorted out. The sense was that most countries want to develop and through those aspirations, many other things are established before the state embarks on the developmental state idea.

One respondent said “for us to brag just because we are a developmental state, that we are developmental than the next state which does not call itself a developmental state, all states have development as their objective to develop”. His argument followed that South Africa has “serious issues and questions ahead of us (South Africans) that we need to develop answers for before we (South Africans) can start talking about achieving the levels of development we (South Africans) are talking about”.

One of the participants understood the policies of the government and stated them to the interviewer and, thereafter, said that “I do not know what the developmental

state idea brings that is different to the already tried policies that are meant for development. I cannot give you a definition but I see government talking to that (previously tried policies in the country)”.

The seven participants from business understood a developmental state to be a state where the government participates in directing the economy resulting in the development of the country. The extent to which the government was involved was not clear. They saw government as an enabler and the private sector as the implementer.

In business striving to meet the government objectives, one participant mentioned that in the last year Standard Bank retrenched 2000 skilled people and Pick ‘n Pay is taking about retrenching over 2000 employees while “the government is pushing to create employment opportunities” in a developing country that has the highest unemployment rate. This example was evidence that business and government are misaligned and business is obeying shareholders.

One participant had the view that each country handles the matter of a developmental state based on its circumstances. A comparison between the BRICSA states (Brazil, Russia, India, China, and South Africa) was used to elaborate on the different approaches and outcomes. The participant mentioned

that the most comparable to South Africa, which South Africa can learn from, was Brazil because of its social issues. He mentioned that the roles of the leaders were different, with President Cardoso changing the nature of the economic system to be more private and business oriented. Thereafter, President Lula da Silva took that system and gave it a human face by being more responsive to the needs of the population.

Research Proposition 2:

Business plays a critical role in the implementation of the developmental state:

One of the participants was of the view that business does not seem to be progressing in the non-participative position that it is in. He said that “the position it (business) is taking in this debate is not clear hence the developmental policies are imposed on it (business). Business needs to be actively engaged in the environment they operate in. Business cannot simply be making profit in South Africa because that would not be sustainable. Business needs to be part of the solution and not ignore the high inequalities and high levels of poverty in the country”.

The same participant said that “role of business in the developmental state is to actively engage with government. Business could participate by asking itself what it

would take for them to create employment, provide internships and look at the requirements and support they need from government”.

The role of business was cited to be around creation of jobs. The respondents had a similar view that the government has to engage business as a critical player in achieving its objectives. It was also a common view that government cannot create jobs but the private sector. Most skills needed to achieve the government objectives are with the civil society not with government.

The respondents pointed out that alternative policies from business that speak to the populace have not been presented which is why business will be left behind in the policy trajectory, leaving business very unhappy. If business could come up with clear proposals on dealing with employment then another issue, such as redistribution of wealth, would be dealt with.

One participant had a view that government must be aware that business is a key player in the economy and if business is not thriving in the economy, the government cannot fulfil its objectives because business pays taxes which, in return, pay for the government programmes. The role of business was viewed to be critically important. The participant also stated that parastatals would set the

scene through their mandates and business must create wealth as a critical party in the economy.

One participant said that business needs to stop complaining and start getting involved with the government in the sectors that they operate in. Companies, as one example, were suggested to start seconding their skilled people to the departments they deal with so that the processes are expedited. In doing so, the company would benefit on understanding how the policies work and how to follow the government processes experience. This process benefits the government as well as the industry players.

One participant mentioned that there are platforms for businesses to engage with government but the platforms seemed to work well for the established businesses. The participant suggested that SMMEs need to unite and speak with one voice so that their views are heard.

The common comment from the participant was whether NEDLAC is performing its duties. The participants were in doubt that the NEDLAC council served its purpose. BUSA was viewed as the most active organisation.

One participant viewed absorption of the qualified unemployed people into the economy as a quick response and measure to expand the number of people that are employed. The participant mentioned that some businesses were already absorbing these qualified people by training them for specific industries.

One participant pointed out that business needs to make concessions with labour. Labour cannot buy into the ideology when business pays labour marginal salaries and rewards senior management with millions. The participant also mentioned that the culture of the South African business was such that “the blue collar employees are paid less and senior management was paid exorbitant, extreme amounts of money. This means that business cannot complain that it is bottle necked by the state policies that relate to labour laws”.

Another participant complemented the view by pointing out that there are many businesses coming into South Africa and employing South Africans and “if there was much truth in saying the labour laws were so stringent that businesses cannot operate, they wouldn’t be, you know what I mean, so there is probably a balance there. Media again demonises certain things, media catches those kinds of stories and they run with it, they make it so big so that you suddenly feel, hey, our country is so bad, it’s nonsense, there is a balance”.

Business, by its nature, is after profits. One participant said business will participate in areas where it sees profits because its nature is to “exploit” opportunities to make profits. The participant suggested that business would not get involved in any of the initiatives if it did not see the benefits of doing so. The participant also mentioned that business has been involved in doing business with the black elite because of the benefits it sees in doing so.

Research Proposition 3:

South African Government lacks the capacity to implement the ideals of a developmental state:

One participant was of the view that some government institutions are doing well in fulfilling their mandates while most are doing badly. Business needs certainty. There should be consistency in how government operates with a clear understanding what the rules are. The participant said that “policy certainty and regulatory certainty” is what he views as some of the areas where business needs confidence. Business wants to operate in a predictable environment and where this exists, business will operate while striving to meet their internal needs and achieving the objectives of government.

The government was described as a key player in the formulation of a progressive South Africa. The findings were around the government being the key player in

establishing an enabling environment where business can operate. The critical views were towards job creation as a centre of the interview discussion.

Job creation was not necessarily directed to government as the creator of the jobs but as a facilitator to encourage business to grow in South Africa, resulting to jobs being created. There was a pattern that business cannot create jobs in South Africa without the government fulfilling its expected role.

Infrastructure investment and investment in education was another critical issue that emerged. The respondents felt that government does not live up to the programmes as presented to the public. Government is expected to clarify and enforce the policy programmes as agreed between all the stakeholders in the economy. The ambiguity of the policies results to business being reluctant to participate in meeting government development objectives.

One of the respondents expressed that our history as a country forces the government to be firm on certain policies and said “as a government you cannot apologise about the need to address the inequalities of this country”. The same respondent felt that it is “morally incorrect as a government to allow it, so you have to do these interventions and guess what, you will be criticized for it, but the Chinese don’t apologise for it.

Government needs to identify sectors of the economy where it needs to focus and be militant in its implementation of policies. The rest of the economy can be guided by government but left as a free market. One of the problems identified was that some politicians participate in business and you find that certain policies change or have the potential to change to suit individuals and this increases uncertainty.

A common view was that government is not efficient in many ways. The institutions were seen as being too fragmented and acting as silos. The mandates given to each institution was clear but those mandates are not known by the people they should serve. The most contentious issue was that the people on the ground do not know where to go when they need to be assisted by government. Most of the participants felt that there significant work that could be done regarding the efficiencies of government institutions.

Lack of capacity of the institutions was another factor attributed to their performance.

The inefficiency of the institutions was mentioned as being the constant change in the key people that are nominated to manage the institutions, crippling the performance of institutions. One participant from the private sector made a very similar statement to the one made by one of the participants from parastatals. His view was that the changing executive members in the institutions results to

inconsistency and everything seems to be always in transition. These constant changes affect the confidence of business to do business with government.

The two distinct reasons given were;

- There is a constant change in the boards of the institutions which result to inconsistency in the implementation of the development objectives. The new people placed in those positions are knowledgeable in general but may not be knowledgeable in the mandates of that particular institution.
- The institutions are too many and as a result, very few are known by the citizens of the country. The ones that are known, it is not known to people what they exactly do. In the case of serving the poor people, the institutions communicate in English when reaching out to people while we have 11 languages in the country.

The five year tenure in the elections of South Africa was seen as another reason for the inconsistencies in the implementation of the development objectives.

Two participants mentioned that a change in the presidential office tends to affect the programmes that are introduced as developmental strategies of the country.

GEAR, ASGISA and the New Growth Path, are seen to be linked, to some extent, in that they share the same sentiment of development. The absence of consistency and the lack of a firm position from the government to drive these programmes results to a constant shift in the goal posts.

Another respondent mentioned the reason which makes the institutions seem to be failing is because white people are wired to think entrepreneurial while black people are not wired to think that way. The institutions are there and there seems not to be enough demand for services from the public. “We could blame institutions for not working if they were turning people away but they are not to blame, alone, but general public is to blame, as well”.

The provision of basic needs for people such as health and education were viewed as responsibilities of the government. One respondent mentioned that “I don’t think I would say government is being successful in getting private sector to play a much more meaningful role”.

Two participants had a view that in the next 10 years or so there will be a civil uprising in the country. The systems were deteriorating and the people in the second economy of the country were demanding services from government. Without the basic issues resolved, there can be no amicable position where the

government, business and labour see eye to eye. One participant viewed government as having failed in “creating the environment that enables local business to attract foreign skills”.

One participant mentioned that the government should not have closed the technical schools because a developmental state needs a very strong skills base. He said “as a result of closure of the technical schools you experience some services that are supposed to be provided by the state taking longer than they should because of the limited number of people with the technical skills”. For a developmental state to be successful the capacity of the state needs to be improved and the number of skilled people in the society needs to be increased.

Government employees entrusted to make sure that the institutions are running smoothly are seen to be the wrong people in key positions. One participant made an example about Public Private Partnerships (PPP) being implemented in a mediocre manner. He explained that government would announce these PPPs and when business shows interest and engages with government, there would be questions raised about whether PPP is the right approach in realising the desired outcome. This has been raised, amongst other issues, to emphasise the incapability’s of the institutions and government policy makers. The argument of

inefficiency of government and its institutions was evolving around the idea that business wants a stable and clearly understood platform to operate.

Business was more concerned about the inconsistency in the policies of the government and the continuous change in the rules of doing business. Equal opportunities are seen as the main concern where some business agreements with government are signed based on who you know in government. The “buddy – buddy” business, as referred to by one of the participants. One participant mentioned that “for nations to be competitive and leaders in what they do, firms in that nation need to be competitive and at the leading edge of performance”.

SMMEs support by government was seen as one of the major issues. All the participants alluded to the lack of support for SMMEs by government. SMMEs were seen as one of the major key players associated with the private sector. The SMMEs were seen as a group of small companies striving to get into the mainstream of the economy with that creating opportunities for employment. In the current state, policies such as employment policies and general failure by government institutions to support SMMEs is resulting to the SMMEs not willing to commit to employing permanent staff or some SMMEs failing, all together.

It is acknowledged that SMMEs need guidance and close assistance for them to prosper and, where they deal with government, this is not the case. Two participants mentioned that small businesses are highly reliant on steady cash flows and where government takes too long to pay, these businesses fail.

One participant mentioned that “lack of support to small businesses by government emanates from lack of planning and competencies within the client departments, perverted political agendas and perpetual incompetence through political agendas”.

Businesses viewed the role of government to be a state that creates conducive environment for business to thrive. Government would play a role of setting up policies and attract foreign direct investment. Government’s role should remain in this space and not to be involved in the operations of business but to set the guidelines.

Conclusion

It emerged in the interviews that government and institutions in general are inefficient. Some institutions are at par with the business expectations but most of them are lacking. Collectively, the participants were frustrated by the inefficiency of parastatals and suggestions were that government needs to organise itself before communicating to the public about new policies or programmes. Government should start sorting out the basic needs of the people, like health and education.

There were many institutions that existed that were meant to assist the civil society and government needed to start communicating, extensively, what each institution did.

Research Proposition 4:

There is a need for a firm and improved relationship between government and the private sector.

One participant saw a gap between the government and the business sector. The participant had a view that “there is a vacuum that has been left by civil society, which has been left by government and that has been left by business, so there is growing frustration”. The participant was of the view that the business sector was being reactive to most of the policies. Business was presented as being slow to mobilise and because of this, the country is going to see a push for a populist policy. The developmental state is seen as a more populist policy brought forward because there is no alternative.

The vacuum is created by government and business's failure to collaborate and come up with strategies and clear policies on how jobs will be created and how this would affect issues around income distribution. Business alone cannot create jobs without the government being involved.

One participant, representing organised business, said that he is of the view that the organisation is fulfilling its roles as expected by its members. He further mentioned that the organisation was actively participating in many other policies that the government was drafting. The participant pointed out that the relationship between the government and the organisation still needs to be improved.

The improvement in the relationship will have to start from the understanding that business and government do things differently. The participant that works with the business representative organisation said that "where business has a goal, that goal has to be achieved or else people are accountable". On the other hand, government has goals but in most instances the delivery hinders the process and the consequences for non-delivery are not as severe".

One participant mentioned that civilised progressive economies are still talking about standing together and prospering. The participant then said that "when it's a South African government that says we have got poverty, we have got HIV, we

have got unemployment, we have a past of inequality, we have a past of education that was not appropriate for our people, we need to address it and, guess what, if you want to do business with us, you are going to have to recognise that this is what we want to do. These guys (business) throw up their arms and say, come on, you can't do business like that when in their own backyards they have these conversations about looking after themselves, so it is very hypocritical, extremely”.

6 CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The chapter analyses the findings from the interviews and draws a relationship with the propositions presented in chapter 3.

The interviews have shed some light into the subject. The analysis will seek to understand whether, in the South African context of a developmental state, business has a role to play. Also, the analysis will try and shed some light in the relationship between the literature review presented in Chapter 2 and the definition of a South African developmental state.

6.2 The developmental state concept is not sufficiently understood by Government and the Private Sector.

There are key fundamentals that need to be understood before a developmental state's options are explored. Embeddedness of the society into the ideology is important to a successful developmental state, as stated by Matlosa (2007), arguing the importance of the key players in the economy to buy into the ideology.

It is evident from the participants that the developmental state ideology in South Africa is not clearly understood. This is a concern because partnership between the private sector and government has to be formed for the model to be successful.

Bond (2009), states that the government is moving from one policy to another without dealing with the core problems of the country. The developmental state concept seems to have been introduced prematurely in South Africa. Malusi Gigaba (2011) states his understanding of the approach that will be taken by the state in trying to fulfil its developmental state ideology. Some of the people that were interviewed as part of the research are from State Owned Entities (SOE's) and did not have a clear understanding as to how the state will be implementing this ideology in South Africa.

This premature approach to the developmental state concept is what Bond (2009) refers to as a tendency for South African politics and policies to be celebrated on rhetoric. The ideology for South Africa is also criticised by Natrass (2011) as lacking depth and a strategic approach to achieving the development objectives of the country.

Poon (2009) supports Mlambo Ngcuka (2006) in that there should be a different approach to a developmental state ideology for each country. If South Africa has decided to be a developmental state, there should be a clear direction to the approach as Natrass (2011) argues.

6.3 Business plays a critical role in the implementation of the developmental state.

Leftwich (2007) argues the importance of a close collaboration between the government and the private sector. The participants agreed on the importance of the role that can be played by business in the developmental state. The private sector needs to participate meaningfully in the economy. When business participates in the economy, jobs will be created. The participants agreed that business is more efficient than the private sector. Malusi Gigaba (2011) also acknowledges this assertion when he described the future of a developmental state in South Africa.

The private sector is driven by profits and the government needs to provide incentives to businesses for business to participate meaningfully. As Karnani (2011) explains it, businesses are driven by maximising profits and by satisfying their shareholders. Businesses can be involved in corporate social investments as a trade off for other rewards. As one participant has pointed out, business dealing directly with the government will conform to the requirements of governments to a point where both parties benefit in terms of their objectives. As mentioned by Marc (2011) that businesses will participate in the economy as long as they can achieve their business goals.

The argument of Karnani (2011) and Marc (2011) is aligned with the respondents' perspective that business will participate in the economy if there are incentives. Business is interested in doing business with the black elite because there is an incentive to do so. The partnership formed with preferred candidates by business is normally strategic business engagements.

Means (1996) and Perreira (2008) argue that the state should entice the private sector through incentives. Vu (2007) argues that the state should focus on incentives that promote development of identified sectors.

It is understandable that the private sector is waiting on the government to identify and clearly communicate the long term goals for the country. Bond (2009) argues that the government is creating a poor reputation by implementing mega development projects and, thereafter, abandons them because the decisions to implement the projects were poorly made.

6.4 South African government lacks the capacity to implement the ideals of a developmental state.

The participants affirm this proposition. Malusi Gigaba (2011) acknowledges the need for skills in the public sector for the developmental state ideology to be successful. Taylor (2002) states that developmental states must be states that

“have national developmental visions that engages in institution vision to promote growth and development.

Small Medium Micro Enterprises (SMMEs) are businesses that can assist with the development of the economy. President Jacob Zuma, in his State of the Nation Address (2011), mentioned that SMMEs will be assisted by businesses. The respondents do not think that the government is assisting them. There are small companies that are struggling to get paid on time by the government. It is important for the small operators in business to have good cash-flow for them to manage their daily operations.

Looking at the previous developmental policy initiatives, GEAR, ASGISA and the New Growth Path, all these policies mention assistance that will be provided by government to small businesses. The respondents confirmed that government is not doing enough to assist small businesses.

The institutions are failing the development of the country. Institutions are meant to be the contact point between the government and the public. Failure by the government to provide services that satisfy the people it aspires to serve has a consequence of the developmental objectives not met. SMMEs need to form part

of the mainstream economy for job creation to be stimulated and when this does not happen, government is under pressure to look at other avenues to facilitate income for the poor. Social grants are an example of permanent expenditure that can be reduced by encouraging entrepreneurship.

The respondents were dissatisfied with the performance of the institutions. There are institutions that are presumably better than others but, in most cases, the institutions are not functional.

The institutions that are formed to address developmentalism should not be polarised by politics and personal and private interest (Morton, 1987). The respondents pointed that some politicians have personal and private interest in the developmental institutions. The relationship between the developmental institutions and private parties with private interest has resulted to a decline in service. The respondents point out that the service received from government institutions depends on who you know in the government.

Corruption can be associated with private people's interest in public funds. Hayashi (2010) argues that there are examples of countries that have managed to achieve

growth despite having serious problems with corruption. Even so, business confidence has to be maintained so that the country is attractive to foreign capital.

Corruption is not necessarily a problem that should stop the government from implementing its growth plans. The most important approach is for the country to try and establish institutions that are committed to developmentalism.

6.5 There is a need for a firm and improved relationship between government and the private sector.

Leftwich (2001) argues that there needs to be a close collaboration between the government and the private sector.

At present, the only credible channel that business can use to participate in government policy formulations is Business Unity South Africa (BUSA). Even through this channel, there is still a misalignment between government and businesses. Bond (2009), points out that there are strikes every year in South Africa. This is a sign that the key stakeholders in the economy have not managed to clearly define how development is going to take place in South Africa. Also, the key stakeholders should have defined roles in the developmental state ideology.

NEDLAC is another forum that was established to facilitate dialogue between the stakeholders in the economy. The respondents were in doubt of whether NEDLAC is still effective. If developmentalism and policies related to development were discussed with all the stakeholders at the forums set up for that purpose, there would be a reduction in public protest and strikes.

7. CHAPTER 7: CONCLUSION

7.1 INTRODUCTION

The chapter aims at highlighting the findings of the study pertaining to the study proposed in Chapter 1. The study will also state recommendations and future studies that may be relevant to the research.

7.2 FINDINGS

It was found that the developmental state ideology for South Africa is not consistent with the developmental fundamentals which have been applicable to the other developmental states around the world. The strength of the government administration required for business to participate in the developmental state ideology is insufficient.

There is a frustration in business about the government failing to send clear signals about the developmental state policies it wants to follow. Businesses and government acknowledge that the private sector has the capacity to implement the developmental objectives in the country. The main concern from business and government was unemployment, skills shortage and income inequalities.

The developmental state ideology has not been clearly defined to suite the South African environment. Ministers have not clearly defined what the national ideology framework needs to be so that the developmental state ideology is inclusive of all stakeholders in the South African economy. Fritz and Menacol (2007) point out that time has changed and looking at other previously successful developmental states is not enough. Mlambo – Ngcuka (2006) said that the approach to a developmental state ideology is country specific. The inferences suggest that South Africa will have to find its own way of establishing a developmental state that deals with development while providing for its people.

7.3 RECOMENDATIONS

The research was exploratory in the role of business in a developmental state which involved understanding the link between the government and business and how business see itself play a role in a developmental state. The study was limited to a small sample which may not represent the views of all government officials and businesses. The developmental state concept has been vastly explored by scholars to understand the best approach to a developmental state. The study hopes to add to the debate of how South Africa can become a developmental state.

Before South Africa can be a developmental state, we need an efficient state. Grandiose macro-scale economic plans are doomed to failure if, at micro level, private economic activity is hamstrung by a lack of the necessary preconditions for

rapid development.

Sector specific studies can be done to understand how each sector sees itself contribute to the developmental state ideology.

7.4 Business

- Business must not be passive contributors to policy debates regarding the economy.

7.5 Government

- Favouritism in government makes it difficult for business to openly discuss strategic economic issues with government. Businesses may not want to over expose themselves and be perceived to be challenging government, especially when business has doubts about the legitimacy of the policy makers.

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