

## **THE FEASIBILITY OF A DEVELOPMENTAL STATE IN SOUTH AFRICA: CHALLENGES AND PROSPECTS**

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### **ABSTRACT**

The notion of a developmental state has been largely linked to the political and socio-economic developments of countries such as Japan and Eastern Asia. One can hasten to say that the developmental state and its related policies are not confined to any particular country. This paper is based on literature search and will set out by clarifying what a developmental state is. Again, it will highlight some of the key features underpinning the notion of the developmental state. The subsequent discussion will underscore challenges bedevilling the creation of a robust developmental state in South Africa. It will conclude by explicitly addressing the issue of the feasibility of the developmental state model in South Africa making an attempt to separate between the desirability of such a state from its feasible establishment. All this is worthy in order to assess whether or not South Africa can be a developmental state. The discussion holds that South Africa cannot currently be described as a developmental state.

**Key words:** South africa, developmental state, feasibility, desirability

### **What a developmental state is**

Definitions of developmental state abound. Evans (in Pillay 2007) states that a developmental state (DS) is by definition interventionist, and goes against the idea of a neoliberal modest state. This definition speaks about the main role of the government being that of having an upper hand in providing the course of action and determining the speed of economic growth. Pillay (2007:205) adds that a developmental state however, can be authoritarian and narrowly focussed on economic growth, or it can be democratic and accountable to the needs of the poor and marginalised. To add on to this, the element of being authoritarian stems from the fact that the state will be determining everything. An example is Cuba, for it is regarded as a developmental state that interfered positively on behalf of the poor to achieve noteworthy

results in terms of social development. However, some quarters view it as an authoritarian state. Pillay (2007) elucidates that Cuba's state socialism contains features of both the authoritarian and democratic developmental state. To this end, there is a mixture of authoritarianism and also mass mobilisation, and overall, the former revolutionary Cuban President Fidel Castro is still popular even though he hardly appears in public of late.

A DS is a state where government is intimately involved in the macro and micro-economic planning in order to develop the economy (Onis, 1991). Like the preceding definitions, market forces are deemed irrelevant. This renders market forces ineffective. In defining developmental state, Freund (2007) notes that the DS idea follows directly from the view that while *laissez-faire* was a dominant ideological element in the classic formation of capitalism in Britain, a successful transition to capitalism required far more direct state intervention where local conditions did not allow for competitive factors to come to the fore. This definition concurs with the previous one with regard to state involvement and the inactiveness of the market forces.

One of the best examples of a democratic developmental state is the state of Kerala, in south-west India. Pillay (2007) observes that the stability of power between the CPM and the Congress party allowed for a democratic rebirth of the CPM each time it was voted out of office. This is owed to people involvement and extensive distribution of resources. Another nascent democratic developmental state that places credence on building links with the poor and marginalised is Venezuela. Weisbrot in Pillay (2007) explains that it is because Hugo Chavez has used the state to actively promote the interests of the poor, declaring that he was pursuing '21st century socialism.' Apart from that, Pillay (2007) detects that the developmental state is mainly associated with the type of economic policies followed by East Asian governments in the second half of the twentieth century. One can say that the observation was made after noticing that most countries were emulating what occurred in Japan and the East Asian governments. It is due to the East Asian success stories that other states found it worth emulating. China is another example of a developmental state. It took China about 10 years to double its economy, yet USA took roughly 50 years to do the same. Definitions of a DS are not enough to shed light on what a DS is, hence it is essential to examine its features (Thompson, 1996; Sindzingre, 2007; Woo-Cumings, 1999).

### **The features of a developmental state**

At the heart of the developmental states is the intervention of states in economic development. This is the most dominant feature. Sindzingre (2007) dwells more on how it is done highlighting that there is more reliance on targeted taxation than on high levels of tax collection and massive support of industrial sectors that meet export performance criteria. High taxation can be targeted on the highly paid and incentives offered to sectors that create more jobs. Sindzingre (2007:618) expounds that developmental states have relied on active strategies, especially industrial policies, which have involved protection, limitation of foreigner shareholding, incentives for the banking sector and training in technology, all built around long-term relations between political power and the private sector. One can say there is interplay of political and economic issues aimed at developing the country.

Radice (2007) also echoes the same, pointing out that the most pertinent feature of a DS is the relationship between the state and the business sector, especially with regard to the direction and funding of industrial investment. It can be said that the state has an upper hand in all the business transactions since it does not want to let the market determine investment matters. Developmental states have been observed for their protection of their embryonic domestic industries and have also focused on aggressive acquisition of foreign technology; Marwala, (2005a).

In order to bring about socio-economic development, Radice (2007) also highlights the issue of tax adding that a DS commands through taxation the resources required to provide public goods such as education and public health. It can be argued that this can bring about socio-economic development to the country. The private sector might hail it as authoritarian but if the outcome is for the benefit of the masses, then a DS is the envy of the ordinary people. One of the main characteristics of successful developmental states is that they created an extensive bureaucratic layer consisting of mainly engineers who have high technical, computers and analytical skills (Marwala, 2007). Governments ought to sponsor those enrolled in technical programmes. It is now imperative to look at the challenges that hinder South Africa from displaying some of the features articulated above.

### **The challenges of creating a developmental state in South Africa**

In her road to establishing a developmental state, South Africa is facing a number of challenges. This part of the discussion will deal with bringing to light institutional and capacity issues that make it insurmountable for South Africa to create a developmental state soon. Terreblanche (2009) identified four major challenges termed stumbling blocks. The first stumbling block highlighted is “the lack of capacity in the public sector.” Capacity in this case is referring to dedication to work as well as the ability to think strategically. This is truthful because workers who are not proactive will waste resources by always making unnecessary consultations with superiors. It is also time-wasting. This raises questions on whether government officials are appointed on merit or nepotism. Recently, there is a story about the former National Prosecuting Authority boss Mxolisi Nxasana who is believed to be in talks with President Jacob Zuma over a golden handshake of more than ten million rands (tax payers’ money). It leaves people wondering on the criteria used to employ him in the first place.

An efficient and well-disciplined public sector is a *sine qua non* for a developmental approach (Terreblanche 2009: 117). This means that efficiency and discipline are pre-requisites of a developmental state. The South African public sector does not have some of those crucial qualities. Several factors can be blamed for this sorry state of affairs. The reason, according to Terreblanche (2009) is that the public sector was ‘Africanised’ too quickly over the past 14 years as part and parcel of the government’s affirmative action and BEE policies. This can be equated to what happened in Zimbabwe where President Robert Mugabe’s government chased away white farmers yet the locals did not have the expertise and let alone the passion to engage in agriculture. Affirmative action policies must not be implemented abruptly. In most cases, the inexperience in blacks leads to dismal performance. It can be argued that the majority of the South Africans pay for themselves at tertiary level hence it is a daunting process for them to acquire skills.

On the same vein, Pillay (2007:209) also states that many public institutions, including the police force, are beset by corruption and incompetent management, and fail to service the public adequately. The current Police Commissioner Mangwashi Victoria Phiyega commonly known as Riah Phiyega was appointed by President Jacob Zuma in 2012, with no experience in law enforcement. Many have questioned her competence. That explains why Terreblanche

(2009) highlights the lack of capacity of the public sector. Failure to serve the public efficiently shows lack of capacity. The South African state is dysfunctional at various levels, particularly local and provincial government (Southall in Pillay 2007). Adding on to this, Pillay (2007) notes that the dysfunctionality of the public sector is compounded by authoritarian management styles inherited from the past, as well as budget constraints imposed by the country's fiscal conservatism. With budget constraints, development will be an uphill task.

The other stumbling block mentioned by Terreblanche (2009) is the business culture of materialism, individualism and the obsession with the bottom line that was cultivated in South Africa during the periods of racial capitalism. It should be pointed out that individualism works against the achievement of a developmental state since it encourages self-enrichment. It signifies lack of political will. It is also contrary to what President Mandela said in his first speech in Parliament, on 24 May 1994. Terreblanche (2009) notes that President Mandela declared that ANC was committed to creating a people centred society in SA to restore the dignity of each and every individual. However, it should be stated that very little has been achieved along those lines twenty years into democracy. Terreblanche's (2009) third stumbling block is the huge bargaining power that organised business people living in the modern sector of the economy wield, compared to the acute powerlessness of the rather disorganised population living in poverty. It can be disputed that the poor are utterly powerless because when it comes to elections, they can use their numbers to oust an incompetent government from office.

The fourth stumbling block and the one Terreblanche (2009:120) terms the most stubbornly insurmountable on the path to a developmental state is SA's extensive involvement in the American empire and the consequent stranglehold of global institutions on the government's policy-making process. Here, reference was made to global institutions such as the World Bank, the International Monetary Fund (IMF) among others. Munck (in Terreblanche 2009) argues that they do not promote development in the global South as they claim to, instead, they seek to incorporate only the propertied classes and the privileged groups in developing countries into the global economy. In the same breath, Sindzingre(2007) states that the

situation is compounded by three major constraints that hinder taxation systems and the building of developmental states in sub-Saharan Africa which are dependence on commodities, the fiscal effects of trade liberalisation and aid dependence. Lastly, Freund (2007) observes that the 1994 Reconstruction and Development Programme (RDP) had a good vision, but it lacked any coherent plan for attaining it. Although the RDP is viewed by many as a political gimmick, it ensures the availability of basic needs.

### **Can South Africa be a developmental state?**

#### **Desirability of a developmental state**

Due to numerous socio-economic problems still confronting South Africa, the desirability of a developmental state is therefore very high. According to the Democratic Alliance (2010), for a developmental state to become entrenched, there needs to be a broader social consensus on the desirability. Terrablanche (2009:109) explains that the South African Human Development Report of the United Nations noted a decrease in the percentage of the population that is living below the poverty line from 51.1 per cent in 1995 to 48.5 percent in 2002. Even though research points to a decrease, a developmental state is desirable because some people living above the poverty do not afford to send their children to tertiary institutions. However, given that the population grew during the same period, the total number of poor increased from 20.2 million in 1995 to 21.9 million in 2002 (UNDP in Terreblanche 2009). According to the same report, poverty became more severe. On this one, it will not be feasible to drastically reduce the poverty levels given the fact that poverty is currently reported to be stern.

Terrablanche (2009) explains that the new ANC-dominated government has hardly made an attempt to bring about a fundamental restructuring of the apartheid-colonial accumulation path as demanded by the RDP. Terrablanche (2009:108) notes that 45 to 50 percent of the population is presently living in poverty, while the other half is living comfortably, something that led former President Thabo Mbeki to conclude that South Africa has two economies: the first economy and the second economy. The economy is one but there are huge inequalities which may be addressed by distribution of wealth. However, (Marwala, 2005c) observes that the complexity of the transformation agenda in South Africa makes the task of efficiently

distributing and allocating resources difficult to achieve. South Africa desires to become a developmental state, but is that feasible to achieve?

### **The feasibility of a developmental state**

Even though the desirability of a developmental state is high in South Africa, the feasibility is still problematic. The Democratic Alliance (DA) (2010) notes that although the South African state has certain developmental qualities of the Asian model – such as a development agenda for the motor industry, state demands on the financial sector to broaden access to financial services to low-income earners, and a national industrial policy structure, still it does not have a comprehensive industrial development plan. In addition, the Democratic Alliance (2010:8) argues that ANC has yet to explain why increased state intervention in health and education, for example, should yield better results after having had precisely the opposite effect over the past decade. There is a lack of detail in ANC policy documents and official government publications about how the developmental state will create jobs, curb violent crime, and improve the quality of education and healthcare and many state institutions are dysfunctional since they are split into ANC factions and used to wage internal political battles (DA, 2010). Viewed against this background, many saw the reappointment of Angelina Matsie Motshekga as the Basic Education Minister as compromising the quality of education given her Limpopo textbook debacles in 2012.

Mkandawire (2001) highlights the challenges as ideological problems citing that lack of ideology is inherent in personal rule ideologies that they themselves flout with impunity and with no moral qualms which is evidence of the cultural rejection of development by African leaders and their followers. On this, one can cite the Nkandla saga, since up to now, no one has been made to pay for the non-security upgrades that were made at President Jacob Zuma's private residency. A developmental state will not be feasible when millions of tax payers' money is spent on luxurious things instead of uplifting the lives of the poor. The Democratic Alliance (2010) also adds that South Africa cannot lay claim to a skilled, efficient, meritocratic and non-predatory bureaucratic elite and the public service is marked by inefficiency, incompetence and corruption. This is divorced from the features of a DS; hence it will not be feasible to become a developmental state.

Furthermore, Terreblance (2007) notes that the ANC-led government has not been attentive to the prevalence of poverty in South Africa. In his 'State of the Nation address in 2004, Mbeki declared that the government's struggle against poverty and underdevelopment rests on three pillars (Mbeki in Freund (2007). He pointed out that one of them is encouraging the growth and development of the first economy, so increasing its ability to create jobs. It was just rhetoric because no explanations were given as to how the jobs will be created. The increasing population size also poses a challenge. While population grew during the same period, the total number of the poor increased from 20.2 million in 1995 to 21.9 million in 2002 United Nations Development Programme (UNDP,2003). The increase in population size tends to exacerbate the problem of unemployment and ultimately poverty. It can be argued that lack of funds to provide those who want to start their own businesses is another challenge which encroaches into the feasibility of a developmental state in South Africa. Since the desirability and feasibility issues have been dealt with, it is incumbent that a way forward should be provided.

### **The way forward**

It is not all doom and gloomy for South Africa, ways can be sought to attain the developmental state aspiration. The DA (2010) calls for a clear separation of party and state, and a competent and capacitated public administration that is both professional and stable. In South Africa, however, loyal ANCCadres control all state institutions and serve the narrow interests of a party faction rather than the developmental interests of all the people DA (2010). This holds water because professionalism will enable business to grow. Also, in light of these arguments MPs should also play their role by standing against all forms of anti-democratic elements. Currently the most vocal opposition parties which make the ruling party accountable are the DA and the Economic Freedom Fighters (EFF). Terreblanche (2007:119) suggests that the road towards a developmental state requires the government to introduce comprehensive additional measures to redistribute income as well as property, installing new networks of rewards and penalties to induce the private sector to act in socially beneficial ways. For example, multi-national corporations need to improve the communities in which they operate and to regularly check on their land reclamation efforts. The land issue need to be dealt with as a matter of urgency so that those willing and able can engage in agriculture. The reorientation of the state as a developmental state is essential (Chang, 1999). This reorientation will allow sufficient productive forces to be unleashed to advance



industrialization and this will principally require significant investment into technical education in primary, secondary and tertiary levels (Marwala,2005b).

More importantly, efforts should be geared towards graduates that are highly competent in technical skills, analytical, computers as well as communication skills (Marwala, 2006).To this end, South Africa needs to increase the scholarship funds to tertiary institutions so that such graduates will be numerous. Freund (2007) suggests that universities and other knowledge institutions need to start focussing on how effective interventions can change South Africa, to bring a range of vital ideas to a wider public, allowing an interplay between popular forces, the state and independent institutions that will place the prospect of a broader vision of a developmental state on the agenda. This will increase the continued existence and growth of South Africa's democracy.

Freund (2007) suggests that the developmental state model so far is a superficial one in South Africa, in which the profound social interventions emblematic of the Taiwanese and the Korea's, the Israel's and the Turkey's is so far absent. Moreover, the poor live in a world of terrible health conditions, incredibly high levels of underemployment, crime and violence and with so much unpredictability and irregularity that is it difficult to talk about effective planning for them (Freund, 2007).The way forward then will be to increase social interventions, create more jobs fight crime. Another way towards crime is through hiring competent people. Evans (1995) suggests for an "embedded autonomy" where the State, as part of society, works with all role-players but remains independent of vested interests. This they achieve by deploying their most endowed students to overseas universities located in strategic and major centres of the innovation world and also by effectively utilizing their foreign missions (Marwala, 2006). So there is need to work harmoniously with social partners in order to inspire investor confidence. Lastly, it is not only the duty of the government but all South Africans need to play their part for a DS to become a reality.

## **Conclusion**

The preceding discussion was aimed at finding out whether or not South Africa can be developmental state. It emerged that even though the desirability for a developmental state in South Africa seems to be high given the numerous socio-economic problems, there are still some miles to be travelled. The policy formulation processes and the institutional

mechanisms that have evolved since 1994 suggest that South Africa is indeed aiming to be a developmental state. The feasibility is still very problematic. This is epitomised by among others, high unemployment rates, incompetent officials, lack of detail in ANC policy documents and internal political battles which divert development efforts. Various challenges hindering the efforts to establish a developmental state are corruption, incompetent government officials, lack of skills and lack of political will. In light of these arguments, the paper came up with a number of suggestions as a way forward for South Africa's dream of becoming a developmental state to become a reality. Among the recommendations, effective intervention strategies, professionalism through separation of party and state, redistribution of income and land employing government officials on merit and more political will if any meaningful development is to be achieved. This paper argued that South Africa cannot currently be described as a developmental state.

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