
DEVELOPMENTAL STATE, SOCIAL COMPACTING, AND ECONOMIC RECOVERY: SOUTH AFRICA'S EXPERIENCES THROUGH THE COVID-19 PANDEMIC

Dr Yacoob Abba Omar

Abba Omar returned to his position as Director Operations of MISTRA from January 2021 after he had spent four years as Head of Strategy & Communications at the Banking Association of South Africa (BASA). He is currently involved in the Indlulamithi Scenario Project looking at the future of South Africa and is also a member of the National Planning Commission (NPC). He has served in several capacities in the public and private sector: South Africa's Ambassador to Oman from 2003 to 2008, and then to the United Arab Emirates from 2008 to December 2012; Deputy Director-General of Government Communication and Information System (GCIS) from 1998 to 2002. He is currently the chair of the Board of Trustees of the South African National AIDS Council (SANAC), and serves on the Board of Business Arts South Africa. He has served on the Boards of SA Tourism, SA History Online, NEMISA, SABRIC and the SADC Banking Association. He holds a PhD on 'Sovereignty and National Identity in South Africa' from Wits University, an M.Phil in South African Politics and Political Economy from Nelson Mandela Metro University and undergraduate degree from UKZN.

08 December 2022

Introduction

The Economic Reconstruction and Recovery Plan (ERRP), unveiled by President Cyril Ramaphosa in October 2020, was the product of a process that had begun under the auspices of the National Economic Development and Labour Council (NEDLAC) in the early stages of South Africa's response to the COVID-19 pandemic. A confluence of trends led to that moment, including initiatives aimed at addressing previous economic crises through the coordinated efforts of government, business, and labour. These efforts included responding to the global financial crisis of 2007–2008 and addressing the rising levels of unemployment through various job summits. Cited as examples of social compacting, they were influenced by the ruling African National Congress's (ANC) developmental state orientation, which the ERRP and its subsequent unfolding were meant to consolidate.

This chapter draws on a range of academic debates, institutional reports and records of meetings, and personal interactions between the author and key actors during the drafting of the ERRP¹ as well as conversations since its launch. The methodology used could be located within theories of standpoint ethnography, where standpoint theories refer to the view that knowledge is produced from a position of access and lived experiences (da Silva and Webster, 2018). The chapter examines the relationship between a developmental state and social compacting, both conceptually and through historical precedents set in South Africa. Of particular value is what Fine (2016) terms the tensions with and between the developmental state paradigm (DSP) and the social compacting paradigm (SCP), which are 'more or less freely applied across a wide range of diverse contexts, without necessary reference to longstanding traditions and experiences and to broader and deeper causal factors and goals' (Fine, 2016: 1).

It is argued that the notion of the developmental state, as advanced by South African policymakers, displays what can be regarded as neo-patrimonialism, where resources are used to consolidate power relations. An important issue that the chapter examines is the extent to which a social compacting approach could help to elevate economic growth, increase the rate of employment, and reduce poverty and inequality – all of which have been portrayed *ad nauseum* as the objectives of the South African state. The ERRP built on and incorporated the findings from the 2018 Presidential Jobs Summit and the 2020 Social Compact to Support Electricity – initiatives that many of the decision makers in the drafting of the ERRP were involved in.

This chapter sets out to answer two key questions:

- To what extent has the developmental state orientation of the current regime (notably captured in the 2012 National Development Plan (NDP)) been realised? Chapter 13 of the NDP, titled 'Building a capable and developmental state', explains that 'developmental' refers to the state playing a transformative role when addressing poverty and inequality and that 'this requires well-run and effectively coordinated state institutions with skilled public servants who are committed to the public good and capable of delivering consistently high-quality services, while prioritising the nation's developmental objectives' (NDP, 2012: 409).

It is important to note that much of the conceptualising around the developmental state emanates from the ruling ANC, as has been evident since the release of its 1998 document titled 'The State, Property Relations, and Social Transformation. A Discussion Paper Towards the Alliance Summit' and in its economic transformation policy document prepared for the 2017 policy conference. The ruling party's 2020 policy document states that 'by 2000 the ANC had adopted the concept of the developmental state to frame its approach to governance' (2020: 16).

The ANC combined the notion of a developmental state with Sen's focus on capability, as argued in *Development as Freedom* (Sen, 1999) that the 'freedom of citizens to attain socio-economic well-being is of primary moral importance, and that freedom of citizens to attain this well-being is to be understood in terms of people's capabilities' (ANC, 2020: 172). As an acknowledgement of the turmoil experienced during the administration of President Zuma, when the state was captured by a corrupt elite, the prefix 'ethical' has more recently been added to the term, giving rise to the notion of 'an ethical, capable, developmental state' (ANC, 2022: 135).

- To what extent has the ERRP laid the foundation for a social compact? The ERRP was largely facilitated by NEDLAC and was the outcome of months of intense debates involving business, labour, civil society and government, or, in NEDLAC parlance, 'social partners'. The ANC's 2022 policy documents point out that 'there has been closer co-operation and compacting among social partners – government, business, labour and communities – as mandated by the 54th National Conference. Still, significant scope exists to deepen the process of social compacting around a common programme to achieve agreed economic objectives' (ANC, 2022: 142). This unfinished process of compacting is examined below in relation to the assessment of the ERRP to date.

Developmental state and social compacting: Is there a connection?

Fine (2016: 1) argues that the developmental state paradigm (DSP) was at its height during the East Asian miracle, especially in its opposition to the dogma of the Washington Consensus, although it was in decline prior to the East Asian crisis of 1997/98. He suggests that the concept has 'diluted, shifted and broadened', with Mkandawire (2012: 8) referring to the various forms it has taken as 'competitive', 'social' and 'developmental' pacts. Fine (2016: 1) is concerned that the developmental state has come to refer 'to any positive intervention by the state just as social compacting serves as a rhetorical device to support any cooperative compromise between potentially conflicting interests'.

Mkandawire's (2012: 3) conception of developmental states as 'social constructs brought by states and societies' and Evans' (1995) notion of 'embedded autonomy' shaped the concept of a developmental state in a way that shows that democracy is reconcilable with development. Almost three decades later, in a special edition of *Third World Quarterly* which focuses on the developmental state, Singh and Ovidia (2018: 1034) ask, 'Given that the DS model(s) emerged within specific conditions, what generic policies and state institutions can inform contemporary governing elites to

address the challenge of economic and social development especially in the context of states with weak capacity and legacies of inequality, oppression and colonial rule?’

This should not lead one to the conclusion that developmental states are necessarily authoritarian; as shown below, they are in equal measure democratic. Furthermore, in looking at the economic context, a distinction needs to be drawn between the experience of the Southeast Asian countries in the 1980s and that of African states in the 1990s. Perhaps the most important difference is that with the former, the emerging capitalist classes were not yet well developed and required state coordination in various forms – both sector specific and in the economy generally (Leftwich, 1995: 403). This is different from the African context where states are dealing with a range of issues, from nascent to well-developed capitalist classes and business interests.

The experience of the 1980s and 1990s showed that newly industrialised countries (NICs), labelled developmental states, displayed some common characteristics, such as agency, which Freund (2011: 1) describes as ‘the existence of a state formation that transcends or overrules the usual bureaucratic processes. Such agencies are capable of directing capital and defying the logic of market forces which may constrain structural transformation’.

Another feature of the NICs was a pro-business orientation, creating a mutually beneficial alliance between states and big business. Evans (1995) describes situations in which developmental states were able to strike a careful balance between business and other stakeholders, while acting autonomously, using rewards and sanctions to drive their developmental agenda. Woo-Cummings (1999: 4) notes that, in such circumstances, ‘a developmental state is not an imperious element lording it over society but a partner with the business sector in an historical compact of industrial transformation’. Another feature was that the NICs were facing huge economic challenges and possibly conflict, creating a structural condition in which national elites had to deal with their ‘systemic vulnerability and hence focus on ... development as the principal source of political legitimacy of such states’ (Singh and Ovidia, 2018: 1035, 1038).

Singh and Ovidia (2018: 1036) describe Argentina, Brazil, Ethiopia, Rwanda and China as ‘newer examples of developmentalist thinking with varying success’, with these countries ‘centralising rent management, strengthening political ties between government and domestic capitalists and adapting industrial policy and state backed finance to create new competitive advantages’.

Nearly a decade after *Embedded Autonomy* was published in 1995, Evans (2004: 32) called for states to be pragmatic and flexible in responding to new challenges and contexts, thereby avoiding ‘institutional mono-cropping and one-size-fits-all approaches to development policy’. In the African context, the notion of developmental patrimonialism has emerged, where it is argued that states behave as a cohesive agent which shapes interest groups. Crook and Booth (2011) comment that ‘in some (African) states “patronage politics” seems to produce only predation and economic collapse, while in others the outcomes justify the use of the term “developmental patrimonialism”’. Amsden (2001) had tried to answer the question posed by Singh and Ovidia (2018) more than a decade previously by factoring in the importance of business interests and the state’s regulatory role in managing these interests. Her work on ‘reciprocal control mechanisms’ describes how developmental

states have used state rents and regulatory mechanisms to prevent state capture by narrow or sectarian business interests. Crook and Booth (2011: 104) argue that ‘it is possible for a government to pursue successful developmental policies within a political system which operates primarily on the basis of patron–client relations and thus “goes with the grain” of the dominant mode of state–society interaction’.

Mkandawire (2012: 15) points out that ‘developmentalist discourse was so pervasive and so much part of conventional wisdom in both African developing and developed countries that it permitted the most extensive violation of human rights to take place as long as “development” was somehow taking place’. Crook and Booth (2011: 99), in examining several African rentier states, observe that ‘the most benign combination occurs when there is fully centralised rent control under a unified elite, and long-horizon investment of rents ... such a regime demands and sustains a competent public service which is vertically disciplined ... but also given sufficient autonomy to manage and implement development policies – it therefore has “bureaucratic integrity”’. Importantly, though, they warn that ‘it is hard to visualise equivalent results being generated under systems of competitive democracy in which incumbents face the actuality or risk of loss of office at frequent intervals, powerfully incentivising them to engage in short-term pillage of public resources’ (Crook and Booth, 2011: 101). This is applicable, as seen in the South African context, not only to electoral politics but also to intra-party elections.

According to Singh and Ovida (2018: 1041–1042), growing authoritarianism notwithstanding, the ability of political elites at the apex of power to generate a consensus or ‘political settlement’ is the glue that holds together the relationships between contending elites – and between states and social forces. This then provides an enabling environment for national elites, such as organised business, labour and the ruling party, to secure political stability and policy consensus over the trajectory of development planning.

The approach advocated by Mkandawire (2012: 2), who is wary of authoritarianism in many parts of the Third World, is one of ‘democratic developmental states’ – that is:

... developmental (in the sense that they facilitate and promote economic growth and structural transformation), democratic (in the sense that they derive their legitimacy through popular participation and [the] electoral process) and socially inclusive (in the sense that they pursue social policies that ensure equitable entitlements of all their citizens to ensure that their capacities and functioning are adequate for a decent inclusion in societal affairs).

Fine (2016: 5) asserts that there are several problems with the DS paradigm, including taking the state–market contradiction as foundational, with class interests ‘tend(ing) to be confined to consideration of capitalists alone’ and then focusing ‘on its (capital’s) relationships to the state as more or less exclusively constituted out of the latter’s embedded autonomy in administering industrial policy on capital’s behalf and in its collective interest’.

Mkandawire (2012) is dismissive of arguments emanating from the developed world on why African states cannot become developmental states. One argument is that Africa was the ‘epicentre’ of neo-patrimonialism which produced states that fatally combined tradition with modernity, with the former

built on highly personalised reciprocity as the basis for exchange and the latter based on Weber's legal-rational order. The other argument is that African states 'simply didn't have the human resources' (Mkandawire, 2012: 4) and technical capacity to have developmental states or that globalisation had closed the window to state interventionism, as it left little room for states to effectively intervene in their respective economies (Mkandawire, 2012). The literature on the Asian developmental states tends to focus on state-business relations, while eliding the involvement and position of other classes such as labour or sectors such as civil society. This argument is the basis of the increasing focus on social compacting in more recent conceptualisations of the developmental state.

Mkandawire (2012: 6) provides a succinct, somewhat functional description of social compacts, saying they:

... refer to the institutionalisation of consultation and cooperation on economic policy involving representation from the state, capital, labour and other organisations of civil society ... (they are) used to address distributive and growth objectives of society at the micro-level; to improve labour management at the firm level and, as in the current usage of 'social pacts' in Europe, to manage the distributional issues of macroeconomics policies.

A 2020 study conducted by the Mapungubwe Institute for Strategic Reflection (MISTRA, 2020) on compacting gave the examples of Rwanda and Mauritius as instructive for the South African context. Rwanda, for example, built its social compact on the pillars of democratic reforms, truth, justice and reconciliation, and socioeconomic development. The MISTRA report points out that 'it is an important case study that teaches us about successful national development planning, and societal rehabilitation' (MISTRA, 2020: 9). Brautigam and Diolle (2009) identify three pillars that support social compacts in Mauritius: public-private signalling, as indicated by the rapprochement of the new government with the capitalists who dominated the economy; the existence of a peak association that organised the business class across ethnic groups and sectors; and the existence of multiple formal and informal arenas for consultation.

According to a 2013 International Labour Organization (ILO) report, '(i)n Western Europe social pacts have been a preferred route in areas of economic and social policies, and more recently, in order to facilitate the adjustment of national economies to external shocks such as loss of competitiveness or economic/monetary integration' (ILO, 2013: 34). The Republic of Ireland, regarded as the most successful model of 'competitive pacts', saw the country being referred to as the 'Celtic Tiger'. According to Teague and Donaghey (2009), although the Irish experience occurred around the same time as 'social pacts' in much of Europe, it was premised on more developmentalist ideologies and featured trade unions, employer organisations and several civic associations bargaining hard to reach wage agreements. This resulted in the creation of 'a new form of economic and social governance, which is sometimes described as "post-corporatist"' (Teague and Donaghey, 2009: 59).

To sum up, the following emerge as principles that define the relationship between developmental states and social compacting:

- Authoritarian or illiberal regimes are not necessarily preconditions for developmental states or successful social compacting.
- The state needs to be strong enough to act autonomously so that it can extract the required behaviours from business and labour.
- Such state capability ensures that the state can centralise rent management, such that it acts in the broader interests of society.
- A 'political settlement' is fundamental to shaping relationships amongst the elite.
- A long-term perspective is required so that compromises can be agreed to, with the future in mind.

The need for an agency that coordinates and directs the work of the state has been recognised as a critical feature of the developmental state as well as a requirement for social compacting. South Africa has a number of institutions that could potentially play this role, including NEDLAC, which falls under the Department of Employment and Labour, and the recently created Operation Vulindlela, a joint initiative of the Presidency and the National Treasury which aims to accelerate the implementation of structural reforms and support economic recovery. It is overseen by the Deputy Finance Minister and reports directly to the President.

Naidu and Maré (2015), in their assessment of the National Planning Commission (NPC), raise the possibility that the 'the long-term implementation window outlined in the NDP, along with the permanent status granted to the Commission as a special purpose institutional vehicle, might enable it to avoid the diffuse and opportunistic weaknesses of AsgiSA [Accelerated and Shared Growth Initiative for South Africa] and the NGP [New Growth Path]' (2015: 425). The issue of agency is revisited below.

South Africa's experiences of social compacting

Mkandawire (2012: 40) captures the different levels of complexity that South Africa faces in the following extract:

... (b)oth the time of liberation and the nature of the struggle have placed on the agenda a whole range of issues that other social compacts may have dealt with separately: the need for nation-building pacts that bridge the racial divide and heal the wounds of past injustice; the 'development pacts' that ensure accumulation and legitimise such accumulation in the eyes of many; 'competitive pacts' that ensure performance in the global market while governing the market; 'social pacts' that produce both 'patient labour' and 'patient capital' and ensure that the burden and returns of economic development are fairly shared and permit redistribution that does not undermine economic development ... Compounding matters is the lack of clarity and timidity by the state about its own long-term projects.

Since South Africa's first democratic election in 1994, four seminal, long-term plans and a plethora of complementary ones have been produced. These can be regarded as one of Mkandawire's (2012) pacts or an example of what Fine (2016) calls neo-corporatism – a broad concept that tends to cover the high levels of interest in and contracting around specific issues. These are the Reconstruction and Development Programme (RDP); the Growth, Employment and Redistribution (GEAR) framework and

its complementary Accelerated and Shared Growth Initiative for South Africa (AsgiSA); the New Growth Path (NGP) and the National Development Plan (NDP). An important complementary plan is the Department of Trade, Industry and Competition's (DTIC) Industrial Policy Action Plan (IPAP), which has been produced every three years since 2009.

Fine (2016: 14) sees in the trajectory from the RDP to GEAR and to the NDP the abandonment of the 'progressive policies for the post-apartheid economy ... neo-corporatism was subject to a heavy assault (by) GEAR' because of its 'compromise with the old Afrikaner/white order and international capital'. He has criticised the NDP for 'presuming a unity of purpose and identity that simply does not, and increasingly so, exist' (Fine, 2016: 17–18).

These are important considerations emerging from the most recent attempts at compacting, especially around economic issues. The Presidential Jobs Summit Framework Agreement, the Social Compact to support Eskom and the Economic Reconstruction and Recovery Plan (ERRP) are examined in some detail below, after which the chapter concludes with a prognosis on the developmental state and social compacting in South Africa.

It is important to recall the lessons from past social compacting exercises, which were summarised in a report by MISTRA which had been commissioned by the NPC in 2014. These included: 'social compacts should be based on a specific objective or aim, e.g., development, conflict resolution, social policy, labour relations, etc.'; they should 'incentivise creation and maintenance of social partnerships'; they should 'determine non-negotiables', noting that 'some of the case countries had authoritarian governments – do South Africans really want to give up some of their freedoms?'; 'state capacity is imperative'; the 'private sector also needs to come to the party (it's not just about state legitimacy)'; there needs to be 'visionary leadership across society'; and 'there must be a willingness to compromise' (MISTRA, 2020: 15–18).

The case studies at hand (the Presidential Jobs Summit, the Social Compact on Eskom and the ERRP) are discussed below.

Presidential Jobs Summit

The 2018 Presidential Jobs Summit was seen as a follow-up to a similar one held in 1999, the 2003 Growth and Development Summit, the 2008/9 Framework Agreement in response to the global financial crisis, and a series of social accords on specific themes (skills development, education, the green economy, local procurement, and youth employment) which were adopted between 2011 and 2013.

A 2018 NEDLAC report observes two key weaknesses in previous attempts to create social compacts:

- Business being asked 'only to tolerate redistributive efforts, rather than contributing to them directly' (NEDLAC, 2018:6). This could be attributed to a number of factors, including the capacity of the state to extract greater commitment from business, the distance between a

largely white elite and a largely poverty-stricken, black population, and the ever-present threat of capital flight.

- An undertaking ‘to support industrialisation through programmatic commitments through the development of sector strategies and supplier development’ (NEDLAC, 2018:11). This contrasts with the European and Asian approaches which expected government to determine industrial policy. The report further notes that the pacts ‘did not include systemic trade-offs around labour markets and remuneration. They also did not incorporate an explicit commitment to managing regulatory burdens or to improving investor certainty’ (NEDLAC, 2018: 4). This highlights a key weakness in the compacting processes – the focus on micro, supply-side interventions rather than on structural transformation aimed at achieving stability so that an enabling environment can be created to attract investment.

Both weaknesses talk to (what Mkandawire, 2012, calls) the ‘timidity of the state’ where the post-apartheid state has not felt capable of wielding the carrots and sticks needed for embedded autonomy, as proposed by Evans (2008). Given the experiences of these compacts, a conscious attempt was made not to repeat the mistakes of the past when the 2018 Jobs Summit was convened under the auspices of NEDLAC. It was to signal the beginning of the Presidency led by Ramaphosa, who was elected by the National Assembly in February 2018 after the ANC’s December 2017 elective conference had ousted his predecessor, Jacob Zuma, as its leader.

In engagements with government and business participants in the ERRP-drafting process, many commentators were critical of the 2018 Jobs Summit agreements, arguing that in its aftermath government and labour tended to focus on specific projects rather than on macroeconomic interventions. For them, the summit’s most significant achievement was the identification of key obstacles to growth and investment, referred to as bottlenecks that needed to be unblocked, which the state was not addressing. The terminology during the ERRP-drafting process morphed from ‘bottlenecks’ into ‘structural reforms’ that were needed (personal sources).

The COVID-19 pandemic shifted the political and economic terrain dramatically, with President Ramaphosa, in an address on 21 April 2020, saying that ‘the pandemic requires an economic response that is equal to the scale of the disruption it is causing’ (Ramaphosa, 2020a). He later added that ‘our economic strategy going forward will require a new social compact among all role players – business, labour, community and government – to restructure the economy and achieve inclusive growth’ (Ramaphosa, 2020b).

Business For South Africa (B4SA) emerged to lead the business response to COVID-19. Its leading lights were Business Unity South Africa (BUSAs), which operates as a federal body for about 35 trade and industry associations, the Black Business Council (BBC), which is an independent membership-based organisation representing professional and business associations and chambers, and Business Leadership South Africa (BLSA), which is a membership organisation consisting of the largest corporations in South Africa. B4SA was able to rapidly mobilise the vast resources of the business sector, assisted by an array of large and small consultancies.

On 10 July 2020, B4SA released a document titled 'Post-COVID-19: A New Inclusive Economic Future for South Africa: Delivering an Accelerated Economic Recovery Strategy (AERS)'. It argued that the key success factors that would shape South Africa's future were a shared vision supported by agreed targets and strong leadership, with a focus on inclusive growth and jobs, increased impetus given to what it termed 'sustainable B-BBEE [broad-based black economic empowerment] and gender equality', regulatory certainty and consistency, and public-private sector collaboration (B4SA, 2020: 4). It identified, from a list of 50 proposals, 12 key projects and initiatives across 10 high-impact sectors (B4SA, 2020: 16).

On 21 July 2020, a document (Nedlac, 2020a: 6) submitted to the Executive Director of NEDLAC reported that the:

... Jobs Summit partners have agreed to build on the Jobs Summit partnership to support a national plan for a new more inclusive economy and that the existing Jobs Summit Commitments and Institutional Arrangements must be refocused in support of the national economic recovery plan in a manner that retains the social compact that was created through the signing of the 2018 Framework Agreement.

The link that was being drawn between the Jobs Summit and B4SA's proposals indicated a desire amongst those who were involved in the former to curb the latter, especially given the latter's largely business genesis and orientation.

Through NEDLAC's various negotiating forums (NEDLAC, 2020b: 15), the social partners agreed to several structural reforms, such as modernising and reforming network industries and the associated state-owned enterprises; reorienting trade policies and pursuing greater regional integration to boost exports, employment and innovation; lowering barriers to entry for businesses start-ups; supporting labour-intensive sectors such as tourism and agriculture; and 'addressing racial, gender, geographical and other inequalities which hamper deeper economic growth, inclusiveness and greater economic development'. In the NEDLAC document, titled 'The social partners' economic recovery action plan', an important point was made: 'Each social partner, not only government, has resources that can enhance job creation, economic growth, transformation, and the capacity of the state. Each social partner understands that trade-offs and sacrifices have to be made in the common good' (NEDLAC, 2020b: 3-4). This represented an important shift from the previous pacts where the burden of implementing the agreements had been left largely to the state.

The idea of a social compact to support Eskom was first mooted in late 2019 after the Congress of South African Trade Unions (COSATU) said at one of the Presidential Working Committee (PWC) meetings that if a solution was not found to Eskom's mounting debt and inefficiencies, there would be 'a serious crisis which would impact on employment' (personal source). By the time the pandemic struck, the social compact had been largely agreed to, also coinciding with the appointment of a new CEO at Eskom, Andre de Ruyter. The signing of the agreement, titled the Framework Agreement for a Social Compact on Supporting Eskom for Inclusive Economic Growth, was delayed due to the focus on COVID-19, but it was finally signed in September 2020.

Two key elements underpinned the Framework Agreement: first, the achievement of a turnaround in Eskom’s performance, while addressing the corruption that had become endemic in its operations; second, the facilitation by government of measures, such as renewable energy generation and self-generation, to diversify the sources of energy feeding into the national grid to enable energy security. However, the core of the social compact was that organised labour would use their pension contributions in the Government Employees Pension Fund (GEPF) to address Eskom debt, although, to date, this has not occurred because of the controversy surrounding the matter within organised labour.

Economic Reconstruction and Recovery Plan

On 15 October 2020, at a joint sitting of the Houses of Parliament, President Ramaphosa tabled South Africa’s Economic Reconstruction and Recovery Plan (ERRP). He shared its lofty goals, saying that ‘our challenge is not only to recover to the pre-pandemic levels of economic activity, but to lift ourselves out of an economic decline that has been several years in the making, while seeking to undo structural distortions that were (also) many decades in the making’ (Ramaphosa, 2020c: 4). For this to be realised, ‘durable social compacts are more important than ever ... We must work together to build this new inclusive economy and to build a South Africa that works’. Ramaphosa (2020c: 18) added:

The estimated impact of the plan as modelled by National Treasury is about 1.7 per cent GDP growth additional to the 1.3 per cent baseline from a no-policy intervention scenario, bringing the total to about 3 per cent GDP growth on average over the next ten years. It is also estimated that the plan shall result in additional 1.6 million jobs over and above the two million jobs in the case of the baseline scenario without further policy interventions. Thus, the plan is projected to add 3.6 million jobs over a period of ten years.

Summary of ERRP

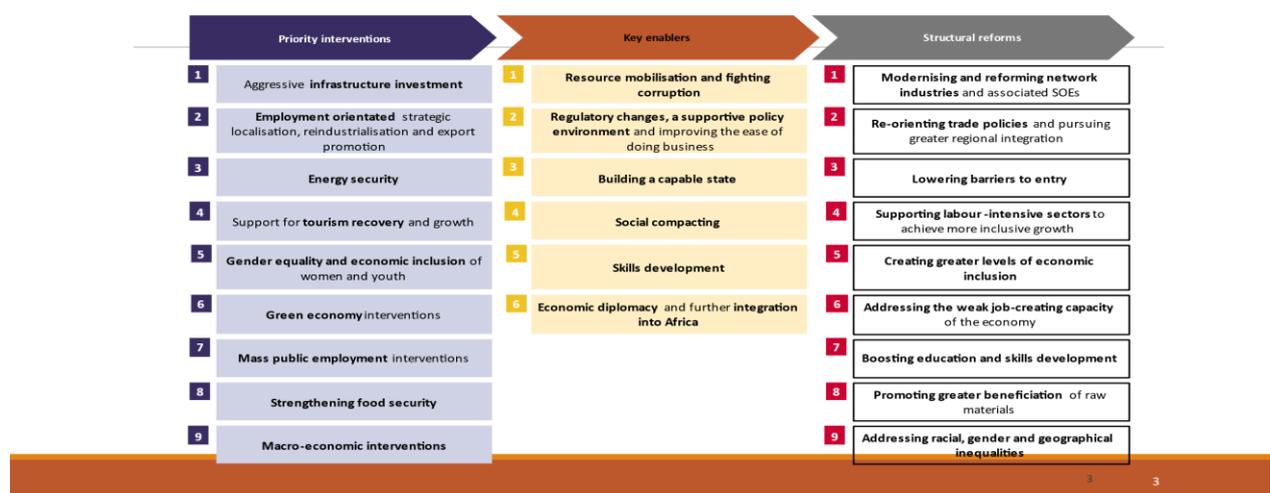


Figure 1: Summary of the ERRP

Source: B4SA, 2020: 11

Assessment of the ERRP

Ramaphosa's announcement was greeted with a degree of scepticism by a jaded public who had seen far too many grand plans unveiled and then often never heard of again. The NDP is one such example. Having immersed innumerable sections of South African society in its consultation process, the NDP has barely been mentioned by government departments since its official launch in 2012.

Business leaders were also disappointed that the ambitious plans they had presented at NEDLAC ended up being very watered down in the ERRP. Part of the reasoning behind this, according to ministers at the NEDLAC forums, was that it was government's responsibility to govern and therefore the state should draw up the final version of the plan. This subtext might have been a reflection of how the developmental state was being interpreted – that the state must lead the country's economic reconstruction and recovery process. But it certainly did not advance the social compacting agenda; rather, it spoke to the distance between the largely white business elite and the largely black government. Labour, not having quite the resources of business, let alone those of the state, was more concerned about the immediate issues affecting its membership – hence its focus on ensuring the adequacy of the Unemployment Insurance Fund (UIF) and special relief grants. It did, however, express its frustration over the slow pace of ERRP implementation.

Thus, less than a year after the ERRP was released publicly, criticisms were being raised about the tardy implementation process, especially on the part of government. In February 2021, Minerals Council South Africa president, Mxolisi Mgojo, said that 'it has been incredibly disappointing that a lack of decisive action has meant that – six months after the proposals were tabled – we still don't have a coherent and inclusive plan ... Government needs to partner with and enable the private sector investment to grow the economy. It can do this by allowing private sector investment into rail, ports, electricity, pipelines, for example' (Mgojo, 2021: 7). Moreover, COSATU's Matthew Parks commented that, although 'we concluded the ERRP fairly quickly between August to October 2020, the one worrying part was the lack of detailed timeframes and financial commitments from government on many of the commitments' (Parks, 2021: 5).

In the latter half of 2021, the Thabo Mbeki Foundation engaged in a series of consultations on the ERRP with business, labour, government, and civil society and came to the conclusion 'that what President Ramaphosa and the Government had called a Plan was in fact a Vision!' (TMF, 2021: 3). In its report, the TMF acknowledged the work of B4SA, saying 'it seemed to us that indeed serious work had been done by B4SA towards producing (an) implementable plan' (TMF, 2021: 3). The TMF also noted the increasingly prominent role being played by business and that 'for the first time since 1994, business had come together to make a firm commitment to provide the much needed and considerable investment in our economy ...The opportunity to do this still exists and requires that government should act to bring the social partners together' (TMF, 2021: 11).

Rudi Dicks (2021), head of the Project Management Office in the Presidency, speaking at a webinar hosted by the Gauteng City–Region Observatory and MISTRA in November 2021, admitted that the implementation of the ERRP had not lived up to expectations. 'Energy supply constraints remain while the need for additional generation capacity especially in renewables was being felt,' he said. While a National Infrastructure Plan and Country Investment Strategy had been developed, there was 'still

insufficient investment (private and public), especially in economic infrastructure and network industries'. He pointed out, though, that progress had been made in drafting various sector master plans, in securing localisation commitments, and in gaining support for the integration of small, medium and micro enterprises (SMMEs) and cooperatives into supply chains.

The TMF (2021: 14) also stated in its report that it had met with 13 ministers and their officials and had concluded that 'it was clear that what was missing from the work of the ministers and their senior officials were time-specific national economic targets which were binding on Government ... In fact, only passing references were made to the ERRP by the ministers and their departments in their Parliamentary Budget Vote submissions between May and July [2021]'

The TMF (2021) proposed a range of steps to remedy the tardy implementation of the ERPP, including the drafting of an Implementation Plan for Economic Reconstruction and Recovery (IP-ERR), which would set concrete targets and dissolve the mistrust amongst social partners. In the context of the sluggish implementation of the ERRP, the TMF proposed that the lead management of the compact be undertaken by government, instead of NEDLAC, as the latter is more of a bargaining council than a negotiation forum. This particular recommendation went against the views of some of the social partners, especially given NEDLAC's experience in drafting the compact around Eskom and the supply of electricity as well as its role in coordinating the response to COVID-19 generally.

Lisa Seftel (2021), Executive Director of NEDLAC, indicated that an ILO/MISTRA study on the kind of leadership role that NEDLAC should play over the next 25 years had made several recommendations. These would entail making amendments to the NEDLAC Act, its constitution, and its protocol documents with a view to assigning the body a broader mandate than was initially envisaged. The issue of how representation was determined also needed to be examined, 'out of a recognition that NEDLAC has become more successful when there is a greater diversity of partners at the table and is regarded as speaking on behalf of "all society" beyond the actual representation of NEDLAC' (Seftel, 2021).

BUSA, through its CEO, Cas Coovadia, shared the growing frustration amongst the different social partners with the pace of implementation of the ERRP, calling on the President in January 2022 to address the urgent need for structural economic reforms. Coovadia spoke of the need for 'a clear implementation strategy that demonstrates the importance of the government's commitment to the ERRP', stressing the importance of the President ensuring that 'his government operates in a cohesive manner and that there will not be mixed messages from different departments' (Coovadia, 2022).

The chorus of discordant voices had been heard in the Union Buildings. In his February 2022 State of the Nation Address, President Ramaphosa announced that 'to grow our economy, create jobs and combat hunger we have given ourselves 100 days to finalise a comprehensive social compact' (Ramaphosa, 2022). Carol Paton, writing for *News24*, reported that 'President Cyril Ramaphosa took business and labour by surprise' with this announcement but 'by 11 April 2022, 42 days will have slipped away'. She indicated that 'separate engagement between government and the social partners is starting to pinpoint the issues. However, with the clock running, the parties are yet to meet together in one forum' (Paton, 2022).

Conclusion: A bonfire of pacts or a celebration of compacts?

South Africa's experience has shown that it is possible for social partners to identify a common cause around which they can cohere. The country's enduring constitutional democracy remains a framework within which such compacting can occur and a developmental state can be consolidated.

However, despite all the effort that went into the formulation of the ERRP and the goodwill that NEDLAC's social partners were willing to show towards it, the state of the country at the end of 2021 was not substantially better than the state it had been in at the beginning of the pandemic. According to Statistics South Africa's 2021 Quarter 4 report (Stats SA, 2022), 2.2 million jobs had been shed since January 2020. At the beginning of 2022, 12.5 million South Africans were without a job or an income, and the number of those employed had fallen to 14.2 million, down from 16.4 million in January 2020, with the broadly defined unemployment rate standing at 46.6 per cent.

The question raised by Singh and Ovadia (2018: 1034) as to whether the emergence of a developmental state is possible 'in the context of states with weak capacity and legacies of inequality, oppression and colonial rule' needs to be addressed. Fine's (2016) highlighting of the tension between the DSP and SCP requires South African policymakers to appreciate that there is no silver bullet for South Africa's economic challenges. Perhaps a conceptual error was made in casting all these attempts in the same mould, in contradiction to Mkandawire's (2012) call for a distinction to be made between 'development pacts', 'competitiveness pacts' and 'social pacts'. The different agreements sketched in this chapter must be analysed to determine which category of pact they represent. Doing so will reveal the type of agency required, the format of the negotiations needed to realise such a pact, the social partners to be involved and how implementation is to be achieved. In other words, the tradition of omnibus pacts is not necessarily the answer to the dire socioeconomic circumstances in which South Africa finds itself.

From the experiences of other successful developing countries, it appears that for South Africa to have an effective 'competitiveness pact', the government needs to adopt a pro-business stance, but one that is based on the kind of embedded autonomy prescribed by Evans (2008) – where the state is able to discipline capital using a combination of carrots and sticks. In other words, it is rewarded when it contributes to the goals of the compact and sanctioned when it goes against them. As Heise (2007: 337) suggests, sanctioning could take the form of 'non-cooperation in the next round of interactions ("shadow of the future") or institutional sanctions for defecting parties ("shadow of the law")'.

As other chapters in this book assert, the South African economy is highly concentrated, and the state needs to lead the various compacts with a firm hand. Underlying this process is the need for the kind of elite compacting that has been pursued by countries such as Mauritius or that Singh and Ovadia (2018) call a 'political settlement'. Such elite compacting should involve the leaders of the social partners, with black business, in particular, playing a more responsible role. This facilitates a unified approach to rent management, which is performed in the interests of the country as a whole and not for any particular segment of the well-connected elite.

At the same time, business needs to visibly display a higher level of commitment to the wellbeing of South Africans. South Africa's racially defined inequality perpetuates a political economy with a largely

black (and unionised) working class, an army of the unemployed and impoverished sections, all of whom are suspicious of capital which remains largely in the hands of whites. Reducing the number of dual business listings in other domains, thereby making capital more accessible to emerging businesses, and investing the high returns that businesses enjoy in the South African economy would go a long way towards building trust in the private sector.

Another critical element is agency, especially that of the state. Business and labour appear united in their criticism of the poor performance of government as a whole and the individual ministers' inability to work together to implement the various agreements emanating from recent milestones on the compacting spectrum. Perhaps this is what is required for the ERRP – an institutional arrangement that is durable, while NEDLAC acts as the forum for social dialogue amongst the various social partners. Yet this type of agency can play only a limited role if state capacity and capabilities remain constrained and the state, because of ongoing infighting, is unable to take a long-term view and fully commit to the plans it rolls out.

Last but not least, a firm foundation needs to be built so that the various compacts can thrive; a foundation premised on democracy and trust amongst South Africans as a whole and between the various social partners. This will be the basis of a 'social pact', as portrayed in the South African Constitution through the negotiating process, or the nation-building pacts proposed by Mkandawire (2012).

References

African National Congress (ANC). 1998. 'The state, property relations and social transformation: A discussion paper towards the alliance summit'. *UMRABULO*, 5 (3). <https://www.anc1912.org.za/wp-content/uploads/2021/07/Umrabulo-Issue-No.5-3rd-Quarter-1998.pdf>, accessed 20 May 2022.

African National Congress (ANC). 2017. '5th National Policy Conference: Economic transformation discussion document', https://www.sahistory.org.za/sites/default/files/archive-files/national_policy_conference_2017_economic_transformation_1.pdf, accessed 22 March 2022.

African National Congress (ANC). 2020. *Umrabulo: NGC 2020 discussion documents, Special edition*. ANC: Johannesburg.

African National Congress (ANC). 2022. *Umrabulo: 2022 Policy conference, Special edition*. ANC: Johannesburg.

Amsden, A. 2001. *Rise of the 'Rest': Challenges to the west from late-industrialising economies*. New York: Oxford University Press.

Brautigam, D and Diolle T. 2009. 'Coalitions, capitalists, and credibility: Overcoming the crisis of confidence at independence in Mauritius'. Development Leadership Programme, <https://www.dlprog.org/publications/research-papers/coalitions-capitalists-and-credibility-overcoming-the-crisis-of-confidence-at-independence-in-mauritius>, accessed 20 February 2022.

Business for South Africa (B4SA). 10 July 2020. 'A new inclusive economic future for South African presentation', <https://www.businessforrsa.org/wp-content/uploads/2020/07/B4SA-A-New-Inclusive-Economic-Future-for-South-Africa-Presentation-10-July-Final.pdf>, accessed 20 February 2022.

Coovadia, C. 8 February 2022. 'Business Unity SA (BUSA) media release prior to the State of the Nation Address (SONA) 2022: Time for implementation'. *BUSA* website: <https://www.busa.org.za/business-unity-sa-busa-media-release-prior-to-the-state-of-the-nation-address-sona-2022-time-for-implementation/>, accessed 3 March 2022.

Crook, R. C. and Booth, D. 2011. 'Conclusion: Rethinking African governance and development'. *IDS Bulletin*, 42 (2), 97–101.

Dicks, R. 11 November 2021. 'Economic reconstruction and recovery plan: Building a new economy'. Presentation at GCRO/MISTRA webinar on 'Rebuilding Economies'.

Evans, P. B. 1995. *Embedded Autonomy: States and industrial transformation*. Princeton, NJ: Princeton University Press.

Evans, P. B. 2004. 'Development as institutional change: The pitfalls of institutional monocropping and the potentials of deliberation'. *Studies in Comparative International Development*, 38 (4), 30–52.

Evans, P. B. 2008. 'In search of the 21st century developmental state'. Centre for Global Political Economy, Working Paper, no 4, University of Sussex, <http://www.sussex.ac.uk/cgpe/research/publications/workingpapers>, accessed 14 February 2022.

Fine, B. 2016. 'Across developmental state and social compacting: The peculiar case of South Africa'. ISER Working Paper No. 2016/1. Grahamstown: Institute of Social and Economic Research, Rhodes University.

Freund, B. 2011. 'A Ghost from the past: The South African developmental state of the 1940s'. WISER, <https://phambo.wiser.org.za/files/seminars/Freund2011.pdf>, accessed 14 December 2021

Heise, A. 2007. 'Institutions, market constellations and growth: The case of South Africa'. *Annals of Economics and Finance*, 8 (2), 313–340.

International Labour Organization (ILO). 2013. 'National tripartite social dialogue: An ILO guide for improved governance'. International Labour Office, Social Dialogue and Tripartism Unit, Governance and Tripartism Department. Geneva: ILO.

Leftwich, A. 1995. 'Bringing politics back in: Towards a model of a developmental state'. *The Journal of Developmental Studies*, 31 (3), 400–424.

Mapungubwe Institute for Strategic Reflection (MISTRA). 2020. *Social Compacting Report: Case studies*. Johannesburg: Mapungubwe Institute for Strategic Reflection. a Silva, S.M. and Webster, J. P. 2018. 'Positionality and standpoint situated ethnographers acting in on- and offline contexts', in Beach, D., Bagley, C., Marques da Silva, S. (eds.) *The Wiley Handbook of Ethnography of Education*. New York: John Wiley and Sons, 501–512.

Mgojo, M. 2021. 'Minerals-council-address-by-mxolisi-mgojo-state-of-the-mining-nation', <https://www.mineralscouncil.org.za/industry-news/publications/presentations/send/7-2015/1369-state-of-the-nation-address-by-mxolisi>, accessed 14 February 2022.

Mkandawire, T. 29 March 2012. 'Building the African state in the age of globalisation: The role of social compacts and lessons for South Africa'. MISTRA Inaugural Mapungubwe Annual Lecture: University of the Witwatersrand.

Naidu, V. and Maré, A. 2015. 'Implementing the National Development Plan (NDP)? Lessons from co-ordinating grand economic policies in South Africa'. *Politikon*, 42 (3), 407–427.

National Economic Development and Labour Council (NEDLAC). 2018. 'Learning from experience with socio-economic pacts'. Johannesburg: National Economic Development and Labour Council.

National Economic Development and Labour Council (NEDLAC). 21 July 2020a. 'Building the new economy: Refocusing the 2018 jobs summit to support the economic recovery plan - Placing employment at the centre'. Johannesburg: National Economic Development and Labour Council.

National Economic Development and Labour Council (NEDLAC). 2020b. 'The social partners' economic recovery action plan'. Johannesburg: National Economic Development and Labour Council.

National Economic Development and Labour Council (NEDLAC). 2020c. *Framework Agreement for a Social Compact on Supporting Eskom for Inclusive Economic Growth*. Johannesburg: National Economic Development and Labour Council, <file:///C:/Users/27834/Downloads/Signed-Framework-Agreement-for-a-social-compact-on-supporting-Eskom.pdf>, accessed 12 June 2022.

Parks, M. 2021. 'A mixed bag of fruit'. *South African Labour Bulletin*, <https://www.southafricanlabourbulletin.org.za/a-mixed-bag-of-fruit> accessed 14 February 2022.

Paton, C. 11 April 2022. 'The race is on as Ramaphosa lines up trade-offs for his 100-day social pact'. *News24*, <https://www.news24.com/fin24/economy/the-race-is-on-as-ramaphosa-lines-up-trade-offs-for-his-100-day-social-pact-20220411>, accessed 15 April 2022.

Ramaphosa, C. 2022. 'State of the Nation Address (SoNA) by President Cyril Ramaphosa, Cape Town City Hall, Thursday, 10 February 2022' website: <https://www.gov.za/speeches/president-cyril-ramaphosa-2022-state-nation-address-10-feb-2022-0000>

Ramaphosa, C. 2020a. 'Statement by President Cyril Ramaphosa on further economic and social measures in response to the COVID-19 epidemic', website: <https://www.thepresidency.gov.za/speeches/statement-president-cyril-ramaphosa-further-economic-and-social-measures-response-covid-19?msclkid=cb3e5366c5ad11eca74cbd327129b4ac>, accessed 14 February 2022.

Ramaphosa, C. 2020b. 'President Cyril Ramaphosa: Engagement with South African national editors forum', website: <https://www.gov.za/speeches/president-cyril-ramaphosa-engagement-south-african-national-editors-forum-31-may-2020-0000?msclkid=382076a4c5ae11ec975b6c13febcb1f6>, accessed 14 February 2022.

Ramaphosa, C. 2020c. 'Address by President Cyril Ramaphosa to the Joint Sitting of Parliament on South Africa's Economic Reconstruction and Recovery Plan', *SA People News*, <https://www.sapeople.com/2020/10/15/full-transcript-address-by-president-cyril-ramaphosa-to-the-joint-sitting-of-parliament-on-south-africas-economic-reconstruction-and-recovery-plan/?msclkid=80768235c5af11ec895143a33deccc23>, accessed 14 February 2022.

Seftel, L. 12 December 2021. 'Nedlac quick off the mark to mobilise society in the face of Covid'. *Sunday Times*, <https://times-e-editions.pressreader.com/article/282037625463797>, accessed 11 February 2022.

Sen, A. 1999. *Development as Freedom*, New York: A. Knopf

Singh, J. N. and Ovadia, J. S. 2018. 'The theory and practice of building developmental states in the global south'. *Third World Quarterly*, 39 (6), 1033–1055.

Statistics South Africa (Stats SA), 2022. 'Quarterly Labour Force Survey: Fourth Quarter 2021', <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2021.pdf>, accessed 11 April 2022.

Teague, P. and Donaghey, J. 2009. 'Why has Irish social partnership survived?'. *British Journal of Industrial Relations*, 47, 55–78.

Thabo Mbeki Foundation (TMF). 2021. *Report of the Thabo Mbeki Foundation on its engagements with the Nedlac social partners and proposals on a way forward*. Johannesburg: Thabo Mbeki Foundation.

Woo-Cummings, M. 1999. *The Development State*. Ithaca, NY: Cornell University Press.

¹ The author was part of the private-sector delegation to NEDLAC while he was working with the Banking Association South Africa in 2020. In drafting this chapter, he had numerous conversations with representatives of business and labour as well as NEDLAC staff.