Chapter 1

Introduction: Public Policy and Transformation in South Africa after Democratisation

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INTRODUCTION

It is almost two decades since the apartheid regime ended and a democratically elected government was born in South Africa. As its international isolation dissolved, its presence in the global economic and political arena has increased. South Africa is now regarded as an emerging power in the twenty-first century. When we turn our eyes to the internal situation, however, there are huge challenges remaining for socio-economic transformation in South Africa.

Ever since the founding elections in 1994, the African National Congress (ANC), with its historical credentials as the leading liberation movement against apartheid, has continuously enjoyed majority electoral support and has led the government. Under ANC rule, millions of black South Africans, whose poor living condition were largely ignored by the apartheid government, gained access for the first time to formal housing, electricity, clean water, and so on. However, such achievements have never risen to the level of people's expectations. In recent years, there have been an increasing number of protests and strikes by those who are dissatisfied with the slow progress of change. These have sometimes led to violent clashes with the authorities. A most tragic incident took place recently at the Marikana platinum mine, where 34 striking miners were shot dead by the police on 16 August 2012. Disgruntled people also tend to find immigrants from other African countries easy scapegoats; the worst incidents of xenophobic attacks were observed in 2008 (Hassim et al. 2008).

Needless to say, these challenges are historically rooted, and will naturally take time to overcome. However, it is no longer enough to just blame "the legacy of apartheid" for

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the current situation. This collection of essays aims to explore the relations between public policy and transformation in South Africa since democratisation. In the following chapters, we will trace the trajectories of several important public policies under the ANC government since its inception in 1994, and analyse what impact they have had on the South African economy and society.

For the first decade of democracy, the dominant argument with regard to policy and the social and economic situation in post-apartheid South Africa was around the theme of "neo-liberalisation." Included among the reasons why ANC turned to neo-liberalism was the influence of the business sector and international financial institutions on the ANC leadership, and this and its impact upon the lives of South Africans, especially the poor, were widely discussed. This provides us with a rather simple and thus powerful explanation as to why social and economic transformation did not materialize soon after the change of regime (Marais 2001; Bond 2005). However, this line of argument is no longer enough to truly understand the current situation, as there has been an apparent shift from neo-liberalism to a more interventionist approach, as we will see below. What we observe is much more complicated than a simple neo-liberal state, and it requires careful observation to understand how the state's policies and regulations lead, or do not lead, to socio-economic transformation.

Recognising this, we decided to examine this complexity by making our analysis very concrete. We picked several specific areas of policy or regulations, and explored how policies emerged at the time of regime change, how they have changed since, what the reasons are behind the change, and what the impact of these policies or policy changes is upon the structure of the South African economy and society. As our backgrounds are in various disciplines, we did not adopt a common methodology or a standard research procedure. However, we have built up two shared perspectives through our discussions, and this has produced a certain coherence in our analysis.

The first is to analyse the social and economic transformations through policies and regulations. We are fully aware of the gap between a policy on paper and its practice, particularly at the local government level, which is the theme of Chapter 4. However, we believe it is still worth analysing policy and policy change to deepen our understanding of the current situation and the future direction of transformation in South Africa. This is partly because we consider that policies and regulations reflect how power is distributed among various groups in society, and they indicate what the society or state perceives as social problems that need to be publicly addressed, and what types of solutions it prefers. The cases of the Black Economic Empowerment (BEE) Policy and the size and scope of social grant provision exemplify this point, which will be dealt with in Chapters 2 and 3, respectively.

The second is to bring in the regional and global perspective. The nature of South African democratisation was very much shaped by the global context at the time – namely, the end of the cold war and the apparently ultimate triumph of market capitalism and economic liberalism. ANC policy just after 1994 was very much influenced by this global context, hence the "neo-liberalisation" argument that followed. However, after almost

two decades, as South Africa has established itself as an emerging power, we can no longer regard the South African state as so powerless that there is no choice but to follow or adapt to the so-called global standard. The Mbeki administration was particularly notable in this regard. The ideal of an African Renaissance was pursued and South African state leaders pro-actively engaged in negotiations for a new global order where developing countries would have a greater voice, as clearly demonstrated in Chapter 5. Although South Africa's power in the global arena might still be relatively limited, there is no doubt that South Africa is quite powerful, or even dominant, in the African regional context. Such contexts are examined fully in Chapter 6, which analyses South African business's outward investment in the African continent in response to the liberalisation of exchange controls, and also in Chapter 7, which traces the history of immigration policy in the Southern African context.

In the rest of this introductory chapter, I will first overview the general policy frameworks of the ANC government to give the background context to the whole book, and then provide brief introductions for each chapter.

1. CHANGING POLICY FRAMEWORKS AFTER DEMOCRATISATION

In April 1994, historic, non-racial general elections were held in South Africa for the first time. With the decisive victory of the ANC, the apartheid regime officially ended and the Government of National Unity led by the ANC took power. As is well known, this transition from apartheid to democracy was the result of negotiations that took place principally between the two main opponents, i.e. the National Party, as the governing party of the apartheid regime, and the ANC, as the major liberation movement (Friedman 1993; Sisk 1995). The relatively peaceful process of negotiated transition has been hailed internationally as a "miracle" that is accompanied by the iconic image of Nelson Mandela. The negotiation was, however, a series of concessions made from both sides of the table. The constitutional agreements that were made, as well as the consequent political, economic, and social institutional arrangements, reflected the character of compromise within the negotiation process.

The Reconstruction and Development Programme (RDP), which was the ANC policy manifesto for the 1994 elections, declared that attacking poverty and deprivation would be the first priority of the democratic government (ANC 1994: 4), and ambitious targets were set regarding land reform, building houses, access to clean water, electricity, health services, and so on. On the other hand, with regard to economic policy, it was already clear that in order to adapt to globalisation there was a shift from the socialist rhetoric of the liberation movement to a more conservative tone. The RDP White Paper, which was presented to parliament in November 1994 by the Government of National Unity led by the ANC, indicated that the RDP would be financed primarily through shifting budgetary allocations within governments, and not through radical measures such as forcible expropriation of property or the nationalisation of private companies (Ministry in the Office of the President 1994).

In 1996, the ANC's neo-liberal shift became all the clearer as a new macroeconomic strategy, Growth, Employment and Redistribution (GEAR), was introduced (Department of Finance 1996). Its emphasis on fiscal discipline and the promotion of economic liberalisation and privatisation were similar to structural adjustment programmes which had been implemented in many African countries as conditions for providing loans, as a leftist critic called it "home-grown structural adjustment" (Bond 2003: ix). The South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU), which had been ANC's allies from the days of the liberation struggle, harshly criticised GEAR, both for its contents and for the ANC's lack of consultation over the issue. Nonetheless, the government stood firm with GEAR in the late 1990s, and it set strict budgetary constraints for all kinds of policies, including policies aimed at the realisation of the socio-economic rights established by the new constitution.

GEAR, however, could not achieve its goal of 6% growth, and the unemployment rate rose. The emphasis on privatisation and cost recovery mechanisms in public service provision hit the poor in particular, and many protests took place, mainly in the urban townships in the late 1990s and early 2000s (Habib and Kotze 2003; Ballard et al. 2006). Against such a background, there were gradual shifts from neo-liberalism to a more interventionist approach. Rather than just waiting for economic growth to lead to job creation, the ANC government in the 2000s tended to put more emphasis on direct policy measures, such as Public Works Programmes, to enhance employment opportunities for the poor. The scope of the BEE policy widened with the enactment of Broad-based BEE legislation in 2003. In 2006, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) was made public as a new developmental strategy in which strong emphasis was put on the state's role in economic growth as well as in reducing poverty and unemployment (Presidency Republic of South Africa 2006).

One of the keywords for this new direction is the "developmental state," which is based on the East Asian experience of economic development. While a developmental state aims to achieve economic development in a capitalist framework, it does not take a laissez-faire approach but intervenes proactively in the economy so as to realise economic growth, which, at the same time, contributes to resolving social problems such as unemployment, poverty and inequality. As it requires a capable state to achieve such goals, building the capacity of the state itself is also a major objective of the developmental state. The concept became familiar during the Mbeki administration (1999-2008) but it is also widely used under the Zuma administration (2009-), and has been repeated in recent policy frameworks such as the National Development Plan (NDP) (National Planning Commission 2012). The draft NDP was made public in 2011 and the revised version was adopted by the ANC National Conference in December 2012 in Mangaung, when Zuma was re-elected as the ANC president and the prospects for his second term as the South African president after the 2014 elections rose as a consequence.

While there has been much debate regarding the difference in context between East Asian developmental states in the late twentieth century and South Africa in the twenty-first century, as well as what kinds of institutions should be created to make it

work (Southall 2006; Edigheji 2010; Fine 2011; Marais 2011: chap.11), less analysis has been done regarding what it means in concrete terms in various policy areas, and how it affects people's lives or business activities. Although some aspects of the developmental state are similar to what was recommended by the Macroeconomic Research Group (MERG) just before the founding elections (MERG 1993), which very much informed the RDP, it would be wrong to regard it as a mere return to the spirit of MERG/RDP. Unlike in the early 1990s when the MERG Report and RDP were drafted, powerful black middle and upper classes have now been established in present-day South Africa. They have benefited from BEE and other interventionist policies, and their interests, often linked to the ANC's top echelons, could be regarded as an important element behind the shift away from neo-liberalism. At the same time, the ANC has also tried to appeal to the poor, who make up the majority of the electorate, in order to secure consecutive electoral victories, as well as to collaborate, where necessary, with white business leaders who are still powerful players in the economy. As coordination between such complex and contradictory interests forms a substantial part of the activity of a developmental state, a detailed analysis at the level of specific areas of policy is indispensable. This is what we aim to do in this book.

2. SUMMARY OF ARGUMENTS IN THE FOLLOWING CHAPTERS

In Chapter 2, Chizuko Sato explores the development of the BEE policy and practice, a key item on the social and political agenda in democratic South Africa. She discusses the key features of BEE, its achievements, its prospects and its challenges. The development of the BEE policy is divided into two phases. The first phase was initiated just before the first democratic elections in 1994 and was driven by the white corporate sector that wanted to create black capitalists and managers who were sympathetic to this sector's needs and views. However, its limitations soon became clear and both black businessmen and labour organisations came to criticise BEE as merely enriching a few members of a black elite. With the enactment of the Broad-Based Black Economic Empowerment Act, Act 53 of 2003 (BBBEE Act), the second phase of the BEE process began. This aimed to broaden the definition and targets of BEE and was characterised by increased state intervention. The government introduced a BEE scorecard to measure the level of companies' BEE compliance and made public its intention to favour those who score higher compliance points when it grants public procurement contracts. Although several indices suggest that this increased state intervention in the BEE process has accelerated the incorporation of black people into the mainstream of economic activities, Sato argues that the BBBEE Act has so far failed to achieve its principal objective of broadening the beneficiaries of the BEE policy and she implies that the problem may not be solved during the second term of the Zuma administration.

Chapter 3, by Kumiko Makino, examines social grant provision by the South African state, which constitutes one of the largest cash transfer programmes in the world and has earned a high reputation as an effective policy measure to combat poverty. She points out

that the huge size of the programme is a result of layers of past political decisions, in both the apartheid and post-apartheid eras. These decisions were not necessarily made on the basis of economically rational considerations, but were often decided for political or ideological reasons. Following a brief sketch of poverty and inequality in South Africa since the end of apartheid, an overview of the current social grant system, as well as its historical background, is presented. Then post-apartheid public discourse and policy development regarding the social grants for the elderly and children are examined. It is argued that the shared recognition among experts and policy makers that social grants are an effective tool for poverty alleviation has contributed to the maintenance of the social pension and to the expansion of the Child Support Grant. In the last part of the chapter, it is shown that there is a serious limitation in existing social grants due to a lack of income security for the unemployed. While the practice of sharing social grants among family members has contributed to poverty alleviation, Makino warns against the tendency to take this for granted, as conflating social grants intended for economically inactive people with a general poverty alleviation measure could conceal the unsolved problem of the lack of income security for the unemployed.

In Chapter 4, Yoshihiko Fujimoto sheds light on the issue of democratisation at the local government level, where the changes took a different form after the 1994 elections from those that occurred at the national and provincial levels. As local governments under the apartheid regime were racially divided and there were serious inequalities in terms of service delivery among the municipalities, a series of reforms has been pursued to democratise local governments, which have a significant impact on people's lives as they are in direct contact with their residents. The main aim of the first phase of reform until 2000 was to democratise the institutions of local government, for example, to change the borders of municipalities to make them multiracial and to hold democratic local elections based on universal suffrage. The second phase started from 2000. Here the main aim of local government reform changed to being one of providing efficient services to residents. To clarify complicated issues, case studies of local government reform in urban and rural areas are presented in the chapter. In the urban areas, administrative service provision is relatively efficient, and local governments tend to function better than their rural counterparts. However, Fujimoto identifies some political issues, such as the conflict between political parties, which has a negative impact on the provision of administrative services. In the rural areas, many local governments do not function well, and they cannot deliver sufficient administrative services. To solve this situation, the central government and the ANC are trying to take advantage of traditional leaders who still retain influence, without considering the potential risk of this strategy in that it threatens to clash with principles of democracy. Fujimoto points to a reality in which what is being carried out as local government reform has gradually diverged from the original purpose of providing efficient services to residents.

Chapter 5, by Akiko Yanai, explores the change in trade policy and the attitude toward trade negotiations of the South African government since the 1990s. The trade policy of South Africa is, as with other member countries of the General Agreement on Tariffs and

Trade (GATT) and the World Trade Organization (WTO), naturally influenced by international trade rules and multilateral trade negotiations. However, two distinctive circumstances regarding South Africa make its trade policy different from others. Firstly, at the beginning of the 1990s, the process of democratisation in South Africa coincided with progress in the GATT multilateral trade negotiations, the so-called Uruguay Round (1986-1994). Secondly, South Africa changed its status in the GATT/WTO from being a developed country to being a developing country when a new democratic government was born in 1994. During the Uruguay Round, the then President de Klerk's administration agreed to substantial trade liberalisation in order to establish a presence in international society by taking on its responsibilities as a developed country. Therefore, the newly born, democratic South Africa had to implement comprehensive and rapid tariff reductions. At the beginning of the Mandela government, trade liberalisation was in line with the broader goal of "re-integration into the global economy," but it did not take long for the problems caused by trade liberalisation to come to light. As a result, South Africa has gradually changed its trade policy from actively promoting liberalisation to considering industrial protection. In the latter half of the 1990s, South Africa wavered between two conflicting requirements; to fulfil the responsibilities that are its obligations as a developed country, and to protect its industries as a developing country. However, in the 2000s, South Africa has consolidated its position as a developing country in the WTO. Especially after a new round of trade talks, the Doha Development Agenda, was launched in 2001, South Africa has willingly played a role as a leader of developing countries.

In Chapter 6, Akio Nishiura examines the relationship between the policy of exchange control liberalisation and the investment activities of South African firms in terms of the economy on a large scale. He examines two research questions. The first is how South African firms have reacted to the policy of exchange control liberalisation, and he tackles this question by investigating change at the macro level, including investment statistics and investment timing at the firm level. His second question concerns the influence of the policy of exchange control liberalisation on the South African economy and society, i.e. whether the foreign investment activities of firms have caused a decline in industry, de-industrialisation, capital flight or a reduction in employment in South Africa. By examining how South African firms reacted to the policy of exchange control liberalisation, he found that, firstly, although South African firms invested in Southern African Customs Union (SACU) countries prior to democratisation, they increased investment in Southern African Development Community (SADC) countries around 1997 when the South African government and South African Reserve Bank (SARB) relaxed exchange controls. Secondly, with the exception of telecommunications, there are many examples of South African firms investing in African countries through the acquisition of existing firms or of privatised state-owned firms. Thirdly, South African firms tended to invest in African countries after the relaxation of exchange controls in 1996. Regarding how the policy of exchange control liberalisation influenced the South African economy and society, Nishiura concludes that there was little negative influence

on the economy in terms of gold and foreign reserves as well as employment.

Immigration policy is the theme of Chapter 7 by Akiyo Aminaka. Immigrants in the current South Africa are a mixture of constant migrants from Southern Africa and new migrants not only from Africa but also from various parts of the world. The influx of migrants into South Africa since the end of apartheid shows that South Africa has emerged not only as a prominent economic centre, but also as a centre of political culture after the successful change in its political regime. At the same time, the number of irregular migrants has increased and, in fact, it is difficult to know the exact number of these immigrants. The treatment of immigrants is problematic for the new South Africa, as has been indicated by xenophobic violence against black foreigners, which has been regarded as a serious problem in post-apartheid South Africa. This violence is probably to do with the social atmosphere, which is filled with dissatisfaction with post-apartheid reforms and the strict immigration policy of the state. Based on the recognition that the nature of South African immigration policy is contextualised by the relations between the South African state and its own society, as well as with Southern Africa and the African continent as a whole, Aminaka illustrates the direction of the South African state by examining the shift in its immigration policy after the end of apartheid. She gives an overview of recent discussions concerning immigration in the South African context. After presenting post-apartheid immigration policy and migration trends, she examines the related policies under the Mbeki and Zuma administrations. She finally discusses the meaning and impact of this issue in the regional and continental contexts.

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