



# DLP

Policy and Practice for Developmental  
Leaders, Elites and Coalitions

DEVELOPMENTAL LEADERSHIP PROGRAM

Research Paper 01

## Cadres, Capitalists and Coalitions The ANC, Business and Development in South Africa

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## Executive Summary

The transition from apartheid to democracy in South Africa is widely regarded as an exemplary case study of an elite political settlement. Moreover, South Africa's political history in the last two decades can be written, and certainly understood, in terms of the way old, new, political and economic elites interacted in different domains and sectors to resolve major collective action problems and produce institutional solutions that would work, even if contentious.

The settlement achieved by opposing elites produced a unique *democratic* pact. However, less attention is paid to the economic pact achieved by these elites. As a liberation movement, the African National Congress (ANC) advocated nationalisation to undo socio-economic legacies of apartheid, but once the political transition commenced, it discarded nationalisation. Instead ANC elites opted for pro-business/market policies, which stabilised the economy and attracted much needed foreign direct investment. ANC elites' decision is partly attributable to the negotiated political and economic pacts which ANC elites concluded with National Party elites and white capital. Once the political or democratic pact was in place the negotiation and consolidation of the economic pact was achieved with the formation of numerous formal and informal coalitions with, first, white and then, later, black capital to undo the economic legacies of apartheid. Not only did it result in a stable political transition, but also in political and economic transformation.

More important, early signs of a developmental pact are evident which may result in a successful developmental state to achieve equality and equity to all in post apartheid South Africa.

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## 01

## Chapter One: Introduction

## 1. Introduction

Founded on 8 January 1912, the African National Congress (ANC) is one of the oldest liberation movements-turned-governing political parties in Africa. The banned ANC fought a protracted decades' long armed struggle against the apartheid National Party (NP) government in South Africa. For the ANC (1991: internet), the objective of the armed struggle was the 'elimination of apartheid in all its manifestations and the creation of a united, democratic non-racial and non-sexist state'. For NP elites, the objective was to maintain power. With some of its leaders imprisoned, declared *personae non grata* or in exile, the ANC formed and maintained global anti-apartheid coalitions and interest offices. In fact, with the government of South Africa increasingly isolated, the ANC maintained more international interest offices than the number of diplomatic relations maintained by the NP government.

By 1985, an unexpected convergence took place between elites of the NP government, white business in the country and ANC elites. First, opening Parliament in early 1985, the then South African State President P W Botha announced that the South African government was ready to release imprisoned ANC leader Nelson Mandela; albeit on certain conditions. For leaders in the ANC, this effectively marked the point that the apartheid government acknowledged that it was no longer able to secure itself, and that 'the regime needed some form of accommodation with the liberation movement' (Maharaj, 2008: 17)<sup>1</sup>. For imprisoned ANC leader Nelson Mandela (1995: 512-518), this also signalled changes in the regime and provided him an opportunity to contact the government from his prison cell, which he did. Subsequent to Botha's announcement a series of secret meetings took place between government and ANC leaders.

The second convergence concerns white South Africa business and capital. By the mid-1980s South Africa was in the midst of an economic down-turn caused by, inter alia successive states of emergency, costly wars in Southern Africa, international isolation and economic sanctions. The role of business during apartheid has been regarded as supportive of the ruling party's policies, thus functional to capitalism. In fact, the Truth and Reconciliation Commission (TRC) (in Doxtader & Salazar, 2007: 375) concluded: 'Business was central to the economy that sustained the South African state during the apartheid years'. The TRC was especially critical of the role played by the mining industry. Notwithstanding this, some business leaders remained critical of government's opposing its policies which were regarded as not only unjust but also affecting their bottom-line (see, for example, O' Meara, 1996, Michie & Padayachee, 1997; Lipton, 2007). Moreover, white business shared their fear of the ANC and its ally the South African Communist Party's (SACP) stated policy of nationalisation at the time. Adopted in 1955, the *Freedom Charter* remains one of the most important policy documents of, amongst others, the ANC and SACP. The *Charter* calls for, inter alia a reorientation of the state towards social democracy and shared resources, instead of the continued concentration of wealth in white capital. Big business, particularly mining, feared this.

<sup>1</sup> Mac Maharaj was an operative of the ANC's armed wing, Umkhonto we Sizwe (MK). He was also the commander of Operation Vula in 1986, an ANC strategy to take control of the banned organisation's underground structures in South Africa. Maharaj served as Minister of Transport after 1994.

By the mid-1980s some segments of white capital began to distance themselves from the regime as elites began increasingly to realise that 'the centre cannot hold'. In September 1986, Gavin O'Reilly, chairman of the South African mining conglomerate Anglo-American Corporation met with ANC elites in Zambia.

Third, in 1986, the NP government legalised trade unions, which effectively served as ANC proxies. These events raised expectations of a solution to dismantle apartheid in South Africa. These initiatives, which paved the way for subsequent greater elite interactions, clearly illustrate the crucial role of elites and leaders in initiating change. One of the outcomes of these successive but protracted (1986-1990) elite interactions resulted in the announcement by Botha's successor, FW de Klerk, to unban the ANC and other liberation movements in February 1990, the release of political prisoners and the return of exiled leaders and members of liberation movements.

By 1991, negotiations for the transition from apartheid to democracy had commenced, which subsequently resulted in an elite settlement outlining the post apartheid political dispensation. The settlement produced a democratisation pact (Sisk, 1995) focusing on the *political* accommodation of old elites, the transfer of political power to the new predominantly ANC elite and a multi-party power-sharing Government of National Unity (GNU); effectively an elite coalition.

But ending apartheid also meant addressing the political *and economic* legacies of the system. Whereas the *political* transition has been well recorded (Sisk, 1995, O'Meara, 1996; Lipton, 2007), the *economic* transition, and its elite interactions and coalitions (formal and informal) remain a relatively neglected area. Generally, the ANC government's economic policy is addressed (Handley, 2008; Taylor, 2007; Ponte, Roberts & van Sittert, 2007) but South Africa's 'double transition', i.e. the simultaneous consolidation of the political transition and reconstructing of the economy (Webster & Adler, 1999), requires more attention.

Only a few countries have successfully undergone this 'double transition'. Notable examples include Botswana, Malaysia, Cape Verde, Mauritius and Taiwan (China), which took less than one generation (30 years) to overcome poverty-related underdevelopment (Criscuolo & Palmade, 2008: 1-4). In successful cases such as Mauritius, South Korea and Singapore, leaders and elites had the capacity to comprehend the developmental problems they faced and understood that to resolve these challenges collective action was required. In, for example, Botswana, Singapore and Malaysia where the BDP, PAP and UMNO parties, respectively, have dominated politics and the state, these political parties have been able to transform themselves and establish coalitions to assist these governments to achieve their development objectives.

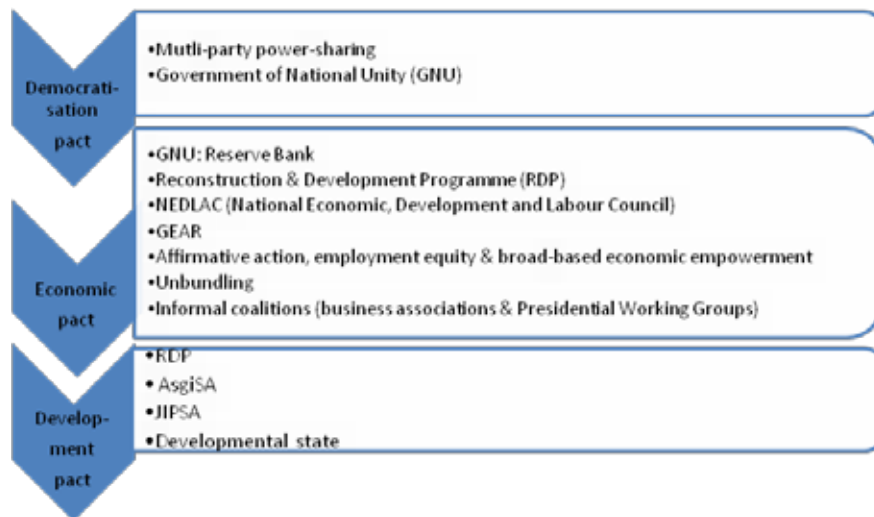
As a liberation movement, the ANC advocated nationalisation, but once the political transition commenced, it discarded nationalisation. Instead of nationalisation and the redistribution of wealth as a framework to undo the socio-economic legacies of apartheid, ANC elites opted for pro-business/market policies, which stabilised the economy and attracted much needed foreign direct investment but produced mixed developmental results. How and why did these changes occur, and what outcomes did it produce? Moreover, how, if at all, did ANC elites achieve a 'double transition'? Some of the answers to these questions lie in ANC elites' relationships, interactions and coalitions with white, and later black, capital. In fact, subsequent to its unbanning, the ANC (2003: internet) admitted that it regards cooperation with its 'social partners, the government, business and labour' as important to address the legacy of apartheid. The answer also lies in the effects and coalitions produced by globalisation.

This paper traces pact-making in South Africa, which is summarised in diagram 1. In particular, the paper focuses on the role of ANC, NP and business elites in agreeing not only to a democratisation pact, but also to an economic pact and the outcomes it produced. Moreover, as a meta-text, the paper attempts to trace and analyse the transformation of the ANC as a liberation movement to a governing political party.

The paper also presents empirical evidence and arguments for the emergence of a possible developmental pact in the making. The focus is on the *political* processes whereby elites interact, and form formal and informal coalitions. Here, politics is understood as all the activities of conflict, negotiation and cooperation in the course of taking decisions as to how resources (political and economic) are produced, consumed and distributed.

The paper argues that ANC elites successfully achieved the political transition required by the democratisation pact, and that its economic pact achieved transition and transformation through transaction with elites from white and black capital. The state-business-labour triangular relations eventually evolved into a key factor in South Africa's transition. Evidence suggests that the economic pact not only entrenched the power of white capital, but also that of new black capital. Despite the ANC government's delivery of social goods, it has thus far not been sufficient to undo the legacies of apartheid.

Diagram 1: Coalitions and pact-making in South Africa (1994-2008)



## 2. Analytical framework and methodology

Transitions from authoritarian regimes to democracy such as South Africa's are unpredictable political processes driven by elites and leaders from opposing groups. This paper applies the notion of elite pacts, or settlements, to analyse *transition* (the establishment of new formal political rules and institutions) and *transformation* (changed social relationships) (Stedman in Sisk, 1994: 72) in South Africa. The analytical framework offered by, for example, O'Donnell & Schmitter (in O'Meara, 1996: 464), Burton & Higley (1987: 295), and Sisk (1995) offers an explanation for the political and economic changes which occurred in South Africa since the mid 1980s.

An elite pact is an 'agreement among a select set of actors which seeks to define (or better, *redefine*) rules governing the exercise of power on the basis of mutual guarantees for the "vital interests" of those entering into it' (O'Donnell & Schmitter in O'Meara, 1996: 464). Burton & Higley (1987: 295) define elite settlements as 'relatively rare events in which warring national elite factions suddenly and



deliberately reorganise their relations by negotiating compromises on their most basic disagreements.' As instruments of political change, elite settlements have several consequences: they are elitist in form and content, undemocratic, create patterns of open – yet peaceful – competition and they transform unstable regimes.

What motivates elites to enter into settlements? According to Burton & Higley (1987: 298) one motive is the elites' experience of a costly and inconclusive conflict. South Africa's grand elite settlement shares some common features with other elite settlements (Burton & Higley, 1987: 298- 301; Sisk, 1994: 66-75 and 1995: 85-87), which will be applied here:

- By the mid-1980s, South Africa reached a *double* critical juncture: an *economic* crisis (produced by the NP government's costly wars, the cost of apartheid, international isolation, Namibia's independence, end of Cold War etc) and a *political* crisis (the escalation of domestic violence between the government and liberation forces).
- The double critical juncture produced a zero-sum situation: the NP government was in power, but not legitimate, whereas the ANC was legitimate but not in power.
- The role of experienced political leaders was important in initiating and negotiating the settlement. Nelson Mandela, for example, responded to P W Botha's speech, Thabo Mbeki met with Afrikaner and business elites in, for example, London, Dakar and Lusaka. Moreover, the ANC elites' pre-existing networks based on shared experiences in exile or in prison, attending missionary schools, royal lineages, and joint military training in the former USSR and elsewhere proved important. As did interactions between Afrikaner, government and business elites, and ANC elites.
- A convergence of a common view and shared expectations of a mutually beneficial outcome.
- Face-to-face, initially somewhat secret, negotiations and compromises between the top leaders of elite factions.
- The settlement is the result of *elite* choices, and not necessarily a democratic process. In South Africa, both the Groote Schuur and Pretoria Minutes were bilateral agreements between the ANC and NP, excluding all other political parties. However, in order to implement the final settlement, elites needed to open the process. This was achieved by the establishment of coalitions. The role of agents (elites) and structures (such as coalitions) is important in securing preferred outcomes. Young democracies are likely to experience institutional challenges. The ANC government 'inherited' institutions established prior to 1994, and was predominantly populated by the former elite. In these conditions, power-sharing or the establishment of coalitions are productive and effective to achieve development objectives (Kapstein & Converse, 2008: 58).
- The settlement offered incentives. For the ANC it was democracy and political power, whereas the NP was assured that the ANC would not nationalise industries and accommodation in the GNU.
- All parties have to compromise. As Friedman (in Sisk, 1994: 69) maintains, compromise is 'a strategic necessity, not a preferred option'. The ANC, for example, compromised on power-sharing and on the suspension of the armed struggle.
- The signing of formal and written agreements, which commit elite factions publicly to their concessions and guarantees.
- It is not only *transition* (the establishment of new formal political rules and institutions) that occurs, but also *transformation* (changed social relationships) (Stedman in Sisk, 1994: 72).
- An economic pact between elites on both sides which left the fundamental structures of capitalism intact (Webster & Adler, 1999: 348).
- Growth or developmental coalitions are characterised and sustained by their focus and purpose

(a specific policy agenda), its duration (for a specific time), specific actors (elites), and shared interests. They are also 'constellations of interests' (Scott, 2008: 12), which, for example, can either cause or terminate conflict (Mbugua, 2008: 3-9). Typically, coalitions cut across various sectors and institutions, and should survive despite changes in their leadership. Another characteristic is that a coalition should be able to mobilise external resources to achieve its policy agenda (Moffett & Freund, 2004: 152).

The methodology of the report involved a review of:

- Autobiographies and biographies of leaders;
- Documents of the ANC and the ANC-in-government;
- Scholarly texts on South Africa's transition and post apartheid South Africa;
- Newspapers; and
- Documents of international organisations.

Though planned, no interviews were conducted. This was due to, *inter alia*, the unavailability of ANC leaders as the ANC is gearing up for an election in 2009. During the period which the research was conducted, the ANC experienced a split with the establishment of a break-away political party, the Congress of the People (COPE). Secondly, some individuals contacted maintained that the collective, rather than individuals, are responsible for the establishment of coalitions. As recent as October 2008, Gwede Mantashe, the ANC's secretary general confirmed this notion, 'Let me correct this...It was not the leadership that grew the economy, but the ANC. The policies belong to the ANC. It is the organisation that produces your Thabo Mbekis, Nelson Mandelas, and your Oliver Tambos. It is not the other way round' (Polity, 2008: internet).

## 02

## Chapter Two: Elites and coalitions prior to pact-making (1986-1991)

**3. The role of experienced elites, political leaders and elite brokers**

Leaders, elites and coalitions matter as they are *the* key players in initiating change and facilitating initial and follow-up meetings. This section refers to some of the elites, leaders and coalitions initiating change pre-dating pact-making in 1991. The NP Government spoke out vehemently against these elite interactions but by 1985, P W Botha's government had already commenced secret meetings with imprisoned Nelson Mandela. By the time, Mandela and Botha met in 1989 at least 47 secret meetings took place between government officials and Mandela (Bouckaert, undated: 244).

These elites' experiences and initiatives shaped and changed political outcomes in the transition to democracy. The ANC (1997: internet) explains:

'Individuals are shaped also by their own experiences in struggle. In the ANC, one of the positive qualities has been to unite various strands of political experience. Historically, this finds expression in the form of those who, before 1990, were "mainly" in prison, in exile, in MDM [Mass Democratic Movement] formations, in professional work and in broad patriotic front organisations'.<sup>2</sup>

South African President P W Botha's announcement in 1985 that the government was ready to release Nelson Mandela conditionally provided Mandela (1995: 512-518) an opportunity to contact the government from his prison cell. Writing to the, then, Minister of Justice Kobie Coetsee on two occasions without any response, Mandela made use of his meeting with the Commonwealth's Eminent Persons Group (EPG) led by Nigeria's General Obasanjo and Malcolm Fraser, the then Australian Prime Minister, in May 1986 to relay his decision to the government. However, Mandela's meeting with the EPG never took place as the EPG left the country in reaction to the government's bombing of ANC bases in neighbouring countries. Eventually, Mandela relayed a message to Minister Coetsee, merely stating 'I want to see the minister in order to raise the question of talks between the government and the ANC (Mandela, 1995: 518)'. The same day, Mandela met with Coetsee in Cape Town, who undertook to arrange for a meeting with P W Botha and Pik Botha, the Minister of Foreign Affairs.

Thabo Mbeki, for example, met with Afrikaner and business elites at, for example, Mells Park, Dakar and Lusaka.

The role of leaders outside the ANC and NP is also important. As early as 1985, the editor of the Afrikaans newspaper *Beeld*, Piet Muller, and academic H W van der Merwe met exiled ANC leaders

<sup>2</sup> In post apartheid South Africa, through its Political Education and Training Unit, the ANC provides 'political education and training' for its leaders (such as members of provincial legislatures, regional executive committees and metropolitan councillors) and members. Ranging in duration from one day workshops to a 26-week political school programme, the focus is on the history of the ANC, its policies and organisational principles, international politics, the South African state, spheres of governance, development and political theories and political economy. Apart from study tours to China and Cuba, the ANC also participates in the Political Schools of trade unions such as NUM, NUMSA and SADTU (Motlanthe, 2007: internet). Internationally, the ANC leaders have interacted with the Oliver Tambo Institute of Leadership (a former MK training camp in Kaweweta, Uganda), the ruling Mozambican party, FRELIMO's school and the Executive Leadership Academy of the government of China.

in Harare, Zimbabwe.

In 1986, the Ford Foundation hosted a conference in New York, which was attended by the *Broederbond* Chairman and a number of ANC leaders. A secret all male Afrikaner elite organisation, the *Broederbond* was established in 1918 to entrench Afrikaner power and was instrumental in recruiting, circulating and maintaining Afrikaner elite interests. Its members filled all important positions in government, business, civil society and Afrikaans churches.<sup>3</sup>

In 1987, former Member of Parliament and co-founder of IDASA (then called the Institute for a Democratic Alternative for South Africa), Frederik Van Zyl Slabbert, facilitated a meeting between Afrikaner intellectuals and ANC leaders in Dakar, Senegal.

By 1988, various progressive organisations and approximately 50 white business leaders established the Consultative Business Movement (CBM) to promote justice and an economic policy for a united and non-racial democratic South Africa (Taylor, 2007: 161). Some of these business leaders met the ANC-aligned United Democratic Front (UDF) and the Congress of South African Trade Unions (COSATU) inside South Africa in the same year.

In 1989, a large delegation (including 20 business leaders) met with the ANC in Lusaka, Zambia.

In summary, these elites' experiences in various sectors (government, liberation movements, business, politics and labour) proved invaluable. Not only did they hold power, but they were also able to influence, initiate, facilitate and implement change. In essence, these leaders were able to work towards building trust between opposing elites. The next section elaborates on some of the direct interactions between the above-mentioned elites.

#### 4. Face-to-face, initially somewhat secret negotiations

In 1987, the ANC released a statement titled *Yes to real negotiations. No to bogus negotiations*. Some time afterwards, ANC stalwart Oliver Tambo requested Michael Young, an English mining magnate, to facilitate what resulted in a series of twelve secret meetings between Afrikaner and ANC elites. Subsequently known as the Mells Park talks, these were led on the ANC's side by Thabo Mbeki, and commenced in London in October 1987. One of the outcomes of this initiative was that after two years, the first meeting between ANC leaders and government officials took place in Switzerland in October 1989.

However, important events took place in the period prior to the Switzerland meeting. First, the ANC released its *Harare Declaration*, which defined its objectives, strategy and outcomes of negotiations in August 1989. The *Declaration* set out the principles that should determine the outcomes of the negotiations with the South African government, as well as measures to be taken by the government to 'create a climate for negotiations' (Maharaj, 2008: 21). More importantly, the *Declaration* envisaged the adoption of a new constitution and the suspension of the armed struggle.

Second, prior to his meeting with the then South African State President P W Botha, on 5 July 1989, Nelson Mandela (1989a: internet) outlined the ANC's position in what has become known as *The Mandela Document*. In the document, Mandela offered an elite-driven solution to the crises in South Africa by stating, 'The key to the whole situation is a negotiated settlement, and a meeting between

<sup>3</sup> Its post 1994 'coming out party' resulted in its open membership and its open association with Afrikaner cultural organizations. It is now known as the *Afrikanerbond*.

the government and the ANC will be the first major step towards lasting peace in the country.' He also proposed 'an accord with the ANC' in 'at least in two stages. The first, where the organisation and the government will work out together the preconditions for a proper climate for negotiations... The second stage would be the actual negotiations themselves when the climate is ripe for doing so.' Mandela also set the agenda for his meeting with Botha, 'Two central issues will have to be addressed at such a meeting; firstly, the demand for majority rule in a unitary state; secondly, the concern of white South Africa over this demand, as well as the insistence of whites on structural guarantees that majority rule will not mean domination of the white minority by blacks' (Mandela, 1989b: internet).

By the time, Mandela and Botha met at least 47 secret meetings took place between government officials and Mandela (Bouckaert, undated: 244). One of the first results of a series of meetings with government officials was the release of Govan Mbeki and Harry Gwala, who were sentenced to life imprisonment, in November 1987. For Maharaj (2008: 18-19) this was the 'first concrete manifestation of shifts towards negotiations'.

Third, by October 1989, when the meeting in Switzerland took place, the deputy president of the ANC, Walter Sisulu, and seven other prisoners were released.

Four, in September 1989, F W de Klerk succeeded P W Botha as President.

Writing to State President F W de Klerk in December 1989, Nelson Mandela (1989a: internet) described the situation in South Africa as 'a war between the ANC and the [National Party] Government, which will only be resolved once a 'cease-fire to end hostilities will have to be negotiated first'; again reiterating the need for an elite-driven solution.

The outcomes of these sometimes secret meetings were preliminary compromises between the top leaders of elite factions, including the ANC's willingness to commence with negotiations, tacit assurances of the accommodations of white elites and the government's release of some political prisoners.

## 5. Undemocratic and bilateral elite choices

F W de Klerk's announcement on 2 February 1990 initiated the next phase in South Africa's transition. Two weeks subsequent to his speech, an ANC delegation met with him to discuss 'talks about talks'.

Settlements are often the result of *elite* choices, and not necessarily a democratic process. In South Africa, for example, both the Groote Schuur and Pretoria Minutes were bilateral agreements between the ANC and NP, excluding all other political parties. In May 1990, the ANC and the government signed the Groote Schuur Minute (1990: internet), which provided a framework for the return of exiles, the definition of political offences, ending violence, lifting the state of emergency, and a review of security legislation.

In August 1990, the ANC and the government signed the Pretoria Minute (1990: internet), which, inter alia, suspended the ANC's armed struggle. Yet, elites on all sides remained cautious and somewhat suspicious of each others' motives (Maharaj, 2008: 22).

A third bilateral agreement followed in January 1991 when the

### Bilateral agreements between elites prior to formal constitutional negotiations

- Groote Schuur Minute: Government & ANC (May 1990)
- Pretoria Minute: Government & ANC (August 1990)
- ANC & IFP agreement (January 1992)
- D F Malan Accord: Government & ANC

ANC and IFP reached an agreement on the constitutional negotiations, which was followed by the D F Malan Accord between the ANC and the government in February 1991 (Sisk, 1995: 88-113).

The outcomes of the elite choices were further compromises (such as the ANC's suspension of the armed struggle and the NP's lifting the state of emergency) as well creating trust between elites.

## 6. Multilateral elite coalition

The bilateral agreements refer to earlier excluded other notable actors and it did not achieve, as was agreed, the termination of widespread violence. Maharaj (2008: 23) admitted that even after the suspension of the armed struggle in August 1990 that 'the suspension did not mean...that the ANC ceased other activities such as the smuggling of arms into the country, arming self-defence units.' Mandela (1994: 580; 568) also referred to the possibility of 'taking up arms once more' as he believed the 'government was in no great rush to begin negotiations' amidst ongoing violence, rumours of a Third Force (government-supported violence), later confirmed by the Goldstone Commission.

The first multilateral agreement was reached later in 1991. In an effort to end the ongoing violence, 26 organisations signed the National Peace Accord on 14 September 1991. The National Peace Secretariat was established subsequent to the signing of the Peace Accord (Tessendorf, 1996: 79-96; Seekings, 2000; ANC, 1994c: internet). Business also played a role in the negotiation and implementation (via Peace Committees) of the National Peace Accord to end the high levels of political violence. Furthermore, business played a significant role in preparing the country for the democratic elections of April 1994 by, inter alia; sponsoring and running voter education programmes (Bernstein, Berger & Godsell, 2000: 7-8).

## 03

Chapter Three:  
Democratisation pact-  
making (1991-1994)**7. The Convention for a Democratic South Africa (CODESA) I and II**

Earlier an elite pact was defined as a negotiated agreement among a select set of warring actors which seeks to deliberately define and redefine rules governing their relations and the exercise of power on the basis of compromises and mutual guarantees, which creates patterns of open – yet peaceful – competition, and transform unstable regimes (O'Donnell & Schmitter in O'Meara, 1996: 464; Burton & Higley, 1987: 295). Often formal and written, these pacts and settlements commit elite factions publicly to their concessions, guarantees and compromise, which is 'a strategic necessity, not a preferred option' (Friedman in Sisk, 1994: 69). It took six years (1985 to 1991) to commence with formal open multi-party negotiations in South Africa and the signing of a series of significant elite-driven democratisation pacts.

The Convention for a Democratic South Africa (CODESA) was convened on 20 December 1991. Four hundred delegates from 19 political parties and organisations participated in CODESA I (as it was subsequently called), which established five working groups to focus on the establishment of a free political climate, constitutional principles and the constitution-making process, transitional government, the reincorporation Bantustans, and timeframes for the transition (Sisk, 1995: 200-215). CODESA I collapsed in 1992 on the verge of a breakthrough due to, inter alia, divergent views on the meaning and content of democracy, and the time-frames for a transitional power-sharing government (Kotzé and Greyling, 1994: 33).

Although CODESA I provided some economic stability, it did not address economic issues (including the role of labour). By 1992, the Congress of South African Trade Unions (COSATU), a grand labour coalition, proposed negotiations between the NP government, business and labour. It resulted in the establishment of the National Economic Forum (NEF), which included political and business representatives. The NEF aimed to reach consensus on economic issues such as trade and industrial policies. Its conveners included Jay Naidoo (RDP Minister, 1994-1996) and Alec Erwin (later Minister of Trade and Industry) (Kotzé and Greyling, 1994: 117). The NEF's signatories included trade unions, black and white business associations, and, eventually, the NP government.

In an effort to restart the negotiation process after the collapse of CODESA I, both the ANC and the NP made significant compromises. Whereas the NP agreed to the principle of an elected constituent assembly, the ANC agreed to a multi-party negotiating forum to resume negotiations. In January 1993, ANC and NP elites met in Cape Town and reached agreement on, according to Sisk (1995: 223), 'what would later evolve into a broader democratization pact', or elite settlement. By April 1993, 26 parties established the Multi-party Negotiating Forum, which subsequently adopted the 26 constitutional principles forming the foundation of the Interim Constitution and initiated the Transitional Executive Council (TEC) to, inter alia prepare the country for its first inclusive democratic elections and the

establishment of a Government of National Unity (GNU) (Sisk, 1995: 225-243). However, political mistrust and tensions between ANC and NP elites almost derailed negotiations. In an effort to break the deadlock in the constitutional negotiations, Joe Slovo of the SACP proposed a 'sunset clause', which, inter alia, recommended a power-sharing government (effectively an elite coalition). Slovo's proposals were accepted and resulted in the establishment of a Government of National Unity (GNU), an elite coalition consisting of the ANC, the NP and the Inkatha Freedom Party (IFP) (MacDonald, 1996: 223, 228, 231).

From 7 December 1993 until the elections in April 1994, the Transitional Executive Council (TEC) served almost as a 'government-in-waiting'. With all major parties, except the IFP, represented, the TEC levelled the political playing fields significantly. The TEC consisted of seven sub-councils, including a six-member sub-council on finance with two sub-committees. Early in 1994, the TEC established a special multi-party committee, the Technical Committee on South Africa's International Capital Market Approach, to coordinate the country's international capital market strategy. The TEC also received a loan from the IMF (discussed later).

CODESA II resumed in May 1992. However, tensions remained between the ANC and the government. By 16 June 1992, the ANC abandoned the negotiation process in favour of a campaign of mass mobilisation, which resulted in, inter alia, the Boipatong killings when IFP members killed 49 people in this ANC stronghold. By now, the process totally dominated by violence and intimidations had reached a deadlock.

## 8. The Government of National Unity (GNU)

Formed in May 1994, GNU had a constitutional mandate to rule for five years. Established in terms of Article 88 of the Interim Constitution (1993), the GNU existed between 27 April 1994 and 3 February 1997, and included political parties with more than twenty seats in the National Assembly (NA). As a grand elite coalition, the GNU included 19 ANC, seven NP and four IFP members. Nelson Mandela was elected as South Africa's first democratically elected President and F W de Klerk his Deputy President (until the NP's withdrawal from the GNU in 1996). De Klerk was succeeded by Thabo Mbeki.

Notwithstanding the elite pacts formed and transactions made prior to the elections in April 1994, deep divisions between the old and new elite surfaced in the GNU. Moreover, despite pre election agreements on Cabinet positions, the ANC reneged on some of these, De Klerk rendered executive clemency to some members of the apartheid government's security forces and the ANC initiated the Truth and Reconciliation Commission (TRC) to address past injustices. Furthermore, the IFP's Mangosutho Buthelezi was reluctant to join Mandela's Cabinet due to the strained relations between the IFP and the ANC in KwaZulu Natal. However, Buthelezi eventually joined the GNU as Minister of Home Affairs.

### Multilateral elite agreements & the democratisation pact

- CODESA I
- National Economic Forum
- CODESA II
- Multi-party Negotiating Forum
- Transitional Executive Council
- Government of National Unity

Przeworski (in Sisk, 1994: 74) defined democracy as 'a system of processing conflicts'. This is particularly applicable to the GNU. In terms of the democratisation settlement, the new political elite had to accommodate the old political elite. New elites were required to interact and cooperate with all



coalition partners in the GNU, which were predominantly from the NP government. However, this proved challenging as the old elite, particularly the *Broederbond*, attempted to secure its political and bureaucratic interests.

Accommodation of old elites was done in various ways. First, the protection of apartheid and Bantustan government officials was provided for in the 1993 Interim Constitution. In addition, Joe Slovo's 'sunset clause', which, inter alia, offered employment protection to the predominantly white Afrikaans bureaucracy (MacDonald, 1996: 223, 228, 231). Some of the old elites were maintained in their government positions.

Second, the pact included leaving the structures, powers and functions of the old state institutions intact. This compromise by the ANC was premeditated to prevent conflicts with the old elite. Once in the Union Buildings, ANC elites initiated and prepared to implement its agenda to overturn the legacy of apartheid, which was often met with opposition from the NP members of Cabinet and the predominantly NP-supporting government bureaucracy. The NP attempted to protect its bureaucratic interests and the ANC attempted to appoint officials from its elite. As a grand coalition built on compromise and economic pact-making, the GNU inhibited the ANC to achieve its developmental objectives. The nature of the pact and its subsequent coalition proscribed and restricted the capacity of the new government vis-a-vis economic and development policy. However, the GNU as a coalition was increasingly under pressure. Political decisions and processes between old and new elites resulted in drawn-out delays and bureaucratic paralysis soon became evident. Months into the GNU, the ANC (1994a: internet) outlined its frustrations with the apartheid elite:

It is evident that the old regime is still exerting considerable influence over the civil service bureaucracy. Extending throughout the civil service are elements that either by omission or commission, by intent or by common outlook are pursuing agendas aimed at slowing the implementation of policy or aimed at a general destabilisation of the GNU. These elements occupy key positions within the civil service and parastatal bodies.

President Mandela (1994a: internet) expressed a similar view:

What April 27 means is that we have attained crucial elements of political power: a new, interim constitution; a democratic parliament in which we have a convincing majority; dominance in the executive at national level and all but two provinces; and formal authority over state structures such as the army, police and intelligence services. Yet, pending its full transformation, and despite genuine pronouncements of loyalty, this state machinery is to all intents and purposes not representative of society and it is premised on previous values and norms.

The outcome of these elite schisms in the GNU was the IFP's withdrawal from the Constitutional Assembly negotiations on the final constitution and the NP withdrawal from the GNU in 1996. Secondly, in February 1997, the final Constitution was adopted without the formal approval and cooperation of the IFP (Venter, 1998: 11-13). In 1999, the term of the GNU lapsed, but the IFP maintained Cabinet positions until the third democratic elections in April 2004.

In summary, the democratisation pact resulted from a drawn-out *political* process between *political* actors. In essence, it established a limited term multi-party unity government, which included the three largest political parties in South Africa only: the ANC, the NP and the IFP. The result of several predominantly political compromises, it had achieved a complete *political* – but not economic – transition by the time the term of the GNU lapsed. The democratisation pact excluded a similar comprehensive economic settlement between *political* actors. By the end of the GNU political power was in the hands of ANC elites, but not economic power. The next section refers to an economic pact, which was predominantly initiated, negotiated and achieved between economic/business and ANC elites, which the intention to achieve an economic transition and transformation; in effect a 'double transition'.

## 04

Chapter Four: Economic  
pact-making**9. Elite interactions and coalitions prior to 1994**

The exiled ANC had paid little serious attention to economic policy questions until 1990. However, the ANC subscribed to the *Freedom Charter*, which is unequivocally clear on wealth distribution and nationalisation. In a 1990 policy document, the ANC outlined its position on an economic policy for post apartheid South Africa. Its position was that apartheid left extreme inequalities in the economy that required extensive state intervention for 'reconstruction' and that growth should occur through redistribution. In February 1990, a few days after his release from prison, Nelson Mandela declared it 'inconceivable' that the ANC would change its policy on nationalisation (Handley, 2008: 62).

Two events in 1990 signalled changes in the ANC's economic policy approach. Facilitated by academic research centres, the ANC, SACP and the Congress of South African Trade Unions (COSATU) met to discuss economic policy issues for the first time in April/May 1990 at its Harare Conference. In addition, the ANC established its Economic Planning Desk under the leadership of Walter Sisulu's son, Max. In 1991, Max Sisulu went to Harvard University and was replaced by Trevor Manuel (later to become South Africa's longest serving Minister of Finance), a trade unionist from Cape Town, working closely with Tito Mboweni (later Governor of the South African Reserve Bank).

Draft economic policy documents were released in May and September 1990. They included a draft ANC Economic Manifesto, which was prepared for but not adopted by the ANC's 1991 National Conference. A second policy document, *Ready to govern*, was adopted at the ANC's 1992 National Conference (Padayachee, 1997: 42). *Ready to Govern* elaborated on, inter alia, the ANC's views on property rights. It effectively repudiated the ANC's socialist tendencies, which originated from the *Freedom Charter* by making no reference to nationalisation, but providing for legal compliance and compensation in 'the taking of property', as well as the restoration of land rights. Furthermore, it states that 'legislation in economic matters shall be guided by the principle of encouraging collaboration between public, private, cooperative, communal and small-scale family sectors...' (ANC in Kotzé and Greyling, 1994: 74).

The establishment of the ANC-COSATU supported Macro Economic Research Group (MERG) in 1991 resulted in one of the earliest indications of the ANC's departure from the economic tenets of the *Freedom Charter*. Consisting of ANC-aligned South African academics, MERG released *Making Democracy Work: A Framework for Macroeconomic Policy in South Africa* in 1993, a document including several Keynesian proposals attempting to balance the radical and moderate economic positions in the ANC. With constitutional negotiations already in their third year, the NP announced its new economic policy in 1993. The *Normative Economic Model* (NEM), which was supported by big (white) business through the South African Chamber of Commerce (SACOB), was an attempt to privatise state-owned enterprises, introduce neo-liberal reforms and reduce government spending. However, the apartheid

state was in a serious decline and incapacitated to realise its NEM.

MERG's document was regarded as the ANC's macroeconomic blueprint. Effectively dismissing the NP's *Normative Economic Model* and MERG's *Making Democracy Work: A Framework for Macroeconomic Policy in South Africa*, the head of the ANC's Department of Economics, Trevor Manuel issued a macroeconomic policy document, the *Reconstruction and Development Programme* (RDP), in February 1994. Outlining the ANC's reconstruction economic policy, Manuel's plan proposed redistribution and reconstruction (but not nationalisation) via the creation of employment opportunities, access to education, the provision of social security and securing individual and collective rights, including affirmative action programmes (Kotzé and Greyling, 1994: 76). By 1994, speaking in Switzerland before the April elections, President Mandela committed South Africa to economic reform away from nationalisation (Handley, 2008: 62). The RDP and Mandela's statement signalled the ANC's departure from some of the key ideological positions of the *Freedom Charter*, resulting, according to some, in the ANC's 'capitulation' (Taylor, 2007: 165) to big business and the international community.

What caused this radical shift in the ANC's economic policy? Four elite-driven events and developments - the nature of the political settlement, the role of business, developments in the ANC and the role of international financial institutions – prior to 1994 fostered the establishment of an economic pact. It should be noted that some of these overlap with the democratisation pact:

### Nature of the political settlement

**Limitations imposed by the nature of the political settlement.** The nature of the settlement was an effort to expand and stabilise the political centre to prevent conservative backsliding and radical state capture. The ANC (1995: internet) has on numerous occasions suggested that the nature of the settlement and the GNU imposed some limitations on ANC elites. It may also be said that the post apartheid ANC government had neither the incentive nor the autonomy to nationalise business as the *Freedom Charter* had suggested.

**Neglect of economic issues in political transitions.** Notwithstanding the progress vis-a-vis democracy, a 'total disjuncture between the economic and political negotiations machinery of the ANC-led alliance' existed at this stage (Habib & Padayachee, 2000: internet).

### Developments in the ANC

**Tensions among Alliance elites.** Relations between MERG and the ANC's Department of Economic Policy (DEP) were weak, and strained by poor relations between elites. Joe Slovo, Cyril Ramaphosa and Mac Maharaj, ANC leaders involved in political negotiations, rarely related to either the DEP or MERG with the result that economic ideas which emanated from the other organs did not systematically feed into and inform discussions at the multiparty talks (Habib & Padayachee, 2000: internet).

**Reconciliatory approach of Mandela and Mbeki towards business** (Taylor, 2007: 152).

**The ANC's receptivity to inputs by business.** ANC elites' unfamiliarity with a market-dominant approach also provided a strong motive to engage with white capital.

Tito Mboweni (in Hirsch, 2005: internet), later Governor of the South African Reserve Bank, explained some of the complexities of engaging with white business. He explained, 'The private sector is very sceptical about the policies of the liberation movement and would like to change them in its favour. The ANC, on the other hand, wants to engage the private sector mainly for political reasons... to win the support of the broadest section of South Africa's civil society.'

## The role of international financial institutions

**Nationalisation to neo-liberalism.** From 1990, Padayachee (1997: 41, 42) maintains that the NP government, white capital and IFIs formed an 'informal "triple alliance"', which regularly attacked the ANC's economic policies as 'business unfriendly' due to its preference for nationalisation. Mandela's statement in July 1995 to 'make economic growth its top priority' indicated a shift in policies and was met with widespread approval.

The first major IMF report on post apartheid South Africa focused on the growth policies needed in South Africa. The report recommended the liberalisation of external trade and financial relations. The report was well received by business and the South African Reserve Bank. Critics, however, summarised the report as a prescription set by the IMF: 'growth first and redistribution later' (Tjonneland in Padayachee, 1997: 31).

From 1991, the World Bank resumed its activities in South Africa – especially with ANC elites, opposition parties, academics and civil society - through a programme of economic policy advice and capacity building. Moreover, the World Bank's programme for the South African government focused on macroeconomic policy, employment, industrial policy and public expenditure alternatives. For the Bank, economic policy options for post apartheid South Africa should be 'poverty reducing and sustainable' (Padayachee, 1997: 32). By 1993, the Bank adjusted its proposals to a 'market-friendly or market-oriented "growth with redistribution" approach' (Padayachee, 1997: 33).

As a member of the Transitional Executive Council, the ANC supported an International Monetary Fund (IMF) Compensatory and Contingency Financing Facility of US\$850m to the South African government in 1993. Despite MERG's objections, ANC elites accepted the neo-liberal Letter of Intent accompanying the Facility. For some, the loan was to support South African agricultural exports during a prolonged drought, but some claim the Facility was a condition to secure the proper management of the South African economy during the transition. In fact, the Letter of Intent which accompanies the loan refers, for example, to the benefits of 'market forces' over 'regulatory interventions' (Padayachee, 1997: 32).

Subsequent to the ANC's election victory in 1994, the Bank provided limited lending and grants. Between 1995 and 2007, the International Finance Corporation (IFC) has invested more than US\$ 600 million in support of BBBEE, the development of small and medium enterprises, and supporting South African companies expanding into Africa (World Bank, 2007: 12-13). Moreover, the World Bank also participated in the drafting of GEAR (Republic of South Africa, 1996: 37). In the early 1990s, the World Bank hosted ANC interns in Washington. The World Bank (2007: 43) described this period of interaction between itself and the ANC interns as 'having been influential at the country policy level, and initiated an important relationship of knowledge transfer, built on trust and strong personal communication, between Bank staff and ANC members.' In addition to this, between 1999 and 2006, the World Bank Institute has trained almost 600 South African per year (World Bank, 2007: 14). Despite these developments, government elites in the period immediately after 1994 decided to keep donor dependence to a minimum. The Bank concluded its Country Assistance Strategy of South Africa in 1999 'to reduce the apartheid legacy of poverty and inequality', but the ANC-led government remained sceptical of the Bank. It has only been since 2004 that the South African Government has actively sought dialogue and technical assistance. The Bank was a partner in the early stages of AsgiSA (World Bank, 2007: 44).

## Role of business

**Economic balance of power.** Despite years of international sanctions, the organizational strength of business was relatively well established but economic decline was already setting in, whereas the ANC elites were inexperienced in matters pertaining to economic issues. The ANC was cognisant of the power imbalances between the South African and global economy, as well as the imbalances between the ANC-led GNU and white capital. Thabo Mbeki expressed this in his document, 'The State and Social Transformation', which was released in 1996. Mbeki identified the high government debt, the mobility of capital, and a changing global environment as inhibiting features that limited the abilities of the GNU to implement democratic transformation on its own. Mbeki, then, argues that the ANC should abandon its wish for 'the total defeat and suppression of the national and class forces responsible for ... apartheid' and focus on the establishment of a democratic state which would involve 'a dialectical relationship with private capital as a social partner for development and social progress'. With this call for a state-capital strategic alliance, the ANC departed from its economic policy framework (Habib & Padayachee, 2000: internet).

**The role of business coalitions.** Numerous informal coalitions among white capital emerged as the apartheid state's decline became irreversible. The ANC's use of threats of nationalisation during negotiations proved to be an effective bargaining tool (Hirsch, 2005: internet) and business realised that the ANC was emerging as the *victor ludorum* of the negotiations. Hirsch (2005: internet) observes, 'South Africa possessed a powerful group of conglomerates that encompassed key elements of mining, finance, energy and industry, which worked ceaselessly throughout the transition to ensure that the new government would create the kind of macroeconomic stability that would facilitate the further globalization of their activities'. As many as 250 such predominantly white business forums, or informal coalitions, were established to secure their interests and/or entrench their influence in post apartheid South Africa, which made it their business to interact with ANC elites on economic issues (Taylor, 2007: 165). Notable and influential examples included the Brenthurst Group and the National Economic Forum (NEF).

In 1993, the mining conglomerate Anglo-American Corporation's Harry Oppenheimer upon the request of Nelson Mandela, convened the Brenthurst Group. Consisting of fifteen big business executives, the objective of the Brenthurst Group was to discuss South Africa's post apartheid economic questions (Gevisser, 2007: 666). It met with key ANC economic policy makers, including Alex Erwin (later Minister of Trade and Industry), Trevor Manuel (later the Minister of Finance) and Tito Mboweni (later the Governor of the South African Reserve Bank). At this meeting, a fifth draft of the Reconstruction and Development Programme (RDP) was revised on the recommendation of members of the Brenthurst Group. President Mandela and the ANC leadership, which attended the Brenthurst Group meetings, refrained from informing its Alliance partners, the SACP and COSATU. Nelson Mandela later explained that it was hoped that the ANC's leadership's interaction with the Brenthurst Group would help not to drive foreign investors away. By the time the ANC presented its flagship project - the Reconstruction and Development Programme (RDP) - to business elites, its leadership had not yet made a final decision about its economic policies for post apartheid South Africa, and white capital still feared nationalization (Gumede, 2008: 95-96). The Brenthurst Group was later incorporated into the South Africa Foundation (SAF). SAF's policy document, *Growth for All*, released in 1996 contained neo-liberal economic policy proposals; effectively a departure from the RDP. Government's reaction to big business' proposal resulted in the demise of the RDP and the introduction of the ANC-led Government of National Unity's *Growth, Employment and Redistribution: a Macro-economic Strategy* (GEAR) (see section 13 below).

## 10. Economic coalitions and pacts after 1994

In April 1994, the ANC won the first ever democratic elections in South Africa with a substantial majority. By the mid-1990s, South Africa was experiencing the full force of accelerated globalisation. Globalisation challenged the ANC's efforts to implement its policies as the forces and actors of globalisation were able to affect states' ability to implement their economic policies autonomously. For the ANC, this presented a dilemma: attracting foreign direct investment, being internationally competitive and delivering the social goods to dismantle the socio-economic effects of apartheid. Corporatism proved to be an effective approach to address these challenges. In an effort to regulate the demands of the state-business-labour power structure, corporatism soon manifested in, for example, the establishment of the National Economic, Development and Labour Council (NEDLAC). Moreover, the ANC had to find an effective mechanism to maintain the cohesion of the Tripartite Alliance (TA) without compromising its relations with COSATU, which represented the largest section of organised labour during apartheid. The advantages of corporatism are that it fosters social integration by providing channels for inputs to influence policy decisions. It also acts as a mechanism to resolve conflicts among actors (Adam, Slabbert & Moodley, 1997: 140-145).

Once in power, ANC elites built on their relationships and coalitions with elites from white capital. In fact, the ANC's achievement of a 'class compromise' (Webster & Adler, 1999) was done by negotiating and forming formal and informal coalitions, which produced policy frameworks and, ultimately, social goods.

ANC elites' reconciliatory approach to business continued after the elections in April 1994. In fact, reporting to an ANC National Conference President Mandela (1994b: internet) reiterated the need for a 'partnership with business':

The business community, both black and white, constitutes an important sector of our society and a valuable asset in the historic effort to bring a better quality of life to all our people.

We appeal to these compatriots themselves to play their part in building confidence in the future of our country. The critical and positive decisions which they take will impact on the welfare of the millions of our people as well as the success of the democratic transition itself.

We are committed to join hands with them in a partnership for progress and change, for peace and stability, economic growth, equity and prosperity for all, fully understanding that the public and private sectors are both important players in the battle to secure a better life for the people

An important consequence of the democratisation pact established between the ANC and the NP was the formation of a GNU. Not only a democratisation pact, the GNU also included elements of an economic pact between ANC, NP and IFP elites. Since its inception in 1994, the GNU has achieved significant objectives:

- It produced political stability;
- It countered business fears of nationalisation;
- Secured foreign direct investment subsequent to the lifting of sanctions against South Africa;
- Adopted the RDP after corporatist-style consultations with business and labour, established National Economic, Development and Labour Council (NEDLAC), and later adopted the *Growth, Employment and Redistribution: a Macro-economic Strategy* (GEAR);
- Achieved economic growth and the provision of social goods. Empirical evidence attests to this. Whereas the South African economic output during the last decade of apartheid averaged 1%, it increased to an average of 3% between 1994 and 2003. From 2004 to 2007, it increased to 5.1% (South African Reserve Bank in The Presidency, 2008a: 31; Faulkner & Loewald, 2008: 13). The provision of social goods also improved significantly (see table 1).

**Table 1 - Improved access to social services (percentages): 1996-2007**

<b>Households</b>	<b>1996</b>	<b>2001</b>	<b>2007</b>
<b>Using Electricity</b>			
For lighting	58	70	80
For cooking	47	51	67
For heating	45	49	59
<b>Water</b>			
Equivalent to or above RDP standard (200m to communal tap)	62	74	88
Tap in dwelling or on site		61	70
<b>Sanitation</b>			
Equivalent to or above RDP standard	52	59	73
Flush toilet		52	60

Source: The Presidency (2008a: 21)

- Normalisation of the South Africa's international relations. It established and re-established foreign relations, predominantly built on the ANC's foreign relations in exile. The period also witnessed a GEAR-orientated foreign policy with the signing of the SA-EU Trade, Cooperation and Development Agreement (TDCA) and the establishment of formal diplomatic relations with China. Considerable foreign direct investment (FDI) flowed into the country (see table 2).

**Table 2 - Direct investment to South Africa (ZAR millions) March 1985 - March 2008**

	<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
<b>1985</b>	-213	-258	-279	-248
<b>1986</b>	7	-25	-5	-91
<b>1987</b>	-102	-20	-22	-243
<b>1988</b>	20	123	54	170
<b>1989</b>	114	-348	-12	-246
<b>1990</b>	-31	-423	387	-136
<b>1991</b>	523	-97	767	-508
<b>1992</b>	55	16	-49	-12
<b>1993</b>	112	-67	-128	116
<b>1994</b>	9	478	682	179
<b>1995</b>	2310	458	543	1191
<b>1996</b>	1034	-261	1446	1296
<b>1997</b>	1072	7788	2068	6659
<b>1998</b>	405	1212	1919	-432
<b>1999</b>	2529	2042	2044	2569
<b>2000</b>	4895	677	1447	-861
<b>2001</b>	2542	52712	3599	-449
<b>2002</b>	10299	4802	3028	-1607
<b>2003</b>	275	447	1807	3021
<b>2004</b>	8630	-1605	2007	-3877
<b>2005</b>	1302	5051	29,860	6057
<b>2006</b>	9182	3896	-2587	-14058
<b>2007</b>	2560	11165	13055	13374
<b>2008</b>	40566	n/a	n/a	n/a

Source: Department of trade and industry (2008a: internet)

South Africa also normalised its relations with international financial and development institutions such as the World Bank, the IMF, the WTO and UNCTAD. Between 1951 and 1966, the World Bank made eleven loans totalling US\$ 242 million to the then NP government. The Bank ceased lending to South Africa in 1966, and by 1985 all loans were fully paid by the South African government. In other words, from 1966 until 1991, the Bank made no loans to South Africa, or engaged in any other activities (World Bank, 2007: 12).

The World Bank is cognisant of the importance of development coalitions. In South Africa, the Bank's partners include the private sector, labour unions, civil society organisations, as well as international partners such as DfID, USAID, GTZ, SIDA, CIDA, the EU, African Development Bank and the IMF (World Bank, 2007: 19). Governments do require this type of assistance – especially in the case of a country in transitions such as South Africa where ANC elites were relatively inexperienced. This highlights the importance of international elite interactions and cooperation.

For ANC, NP and business elites, economic pact-making meant compromising on several issues:

- **The accommodation of elites from the previous regime.** Chris Stals, Governor of the South African Reserve Bank was retained, as well as Derek Keys, as the Minister of Finance.<sup>4</sup> With Key's resignation within months after the 1994 election, Mandela replaced him with Chris Liebenberg, a former CEO of one of the country's largest banks, Nedcor. Trevor Manuel was appointed as the Minister of Finance in 1996.
- **Power-sharing between NP, ANC and IFP in a unity government.**
- **Redistribution and reconstruction, rather than nationalisation.** The ANC's departure from its policy of nationalisation resulted in closer relations between ANC and business elites. For business, the new political dispensation created access to markets and investment opportunities abroad (Grobbelaar & Besada, 2008). In fact, between 1994 and 1999 South African corporations invested US\$ 1.6 billion abroad – more than investment into South Africa. Namibia, Botswana, Zimbabwe, Zambia, Swaziland, Mozambique, Lesotho, Tanzania, Malawi and Kenya were the largest recipients. South African corporations such as BHP Billiton (mining), Vodacom (telecommunications) and public enterprises such as Sasol (oil), Eskom (electricity), the Industrial Development (finance) and South African Airways (transport) also made large investments (Games, 2004: 12-13; South Africa Foundation, 2004: 13, 15, 18-19). See Table 3.

**Table 3 - Number of South African investments in African countries (1991-2000)**

Country	Number of Investments
Democratic Republic of Congo (DRC) & Egypt	3
Rwanda, Cameroon, Congo (Brazzaville), Ethiopia & Seychelles	1
Madagascar & Mali	2
Angola & Uganda	5
Nigeria	4
Mauritius, Kenya & Swaziland	6
Tanzania & Mozambique	11
Ghana	9
Zambia	13
Malawi & Botswana	8
Namibia	16
Zimbabwe	14
Lesotho	7

Source: South Africa Foundation (2004: 17)

<sup>4</sup> Prior to his appointment by FW de Klerk as Minister of Finance, Derek Keys, was the Chief Executive Officer (CEO) of the Afrikaner conglomerate Gencor.



- **Entrenching the independence of the South African Reserve Bank (SARB).**
- **Affirmative action and black economic empowerment (BEE).** Beall, Gelb & Hassim (2005: 693) argue that BEE and affirmative action 'were key elements of the "implicit accommodation" between the ANC and big business, which occurred shortly after 1994. As an elite compromise it consisted of a trade-off between maintaining macro-economic stability, and transferring economic power to black South Africans. With continued elite pacting large South African corporations either voluntarily unbundled, and/or appointed ANC elites to their Boards. Anglo-American, for example, appointed Mamphela Ramphele and Cyril Ramaphosa to its Board. Similar to Malaysia, South Africa sought to develop a new indigenous entrepreneurial class through affirmative action and BEE (Carmody, 2002: 264).

Although these compromises were important to achieve a settlement, it resulted in limitations on the ANC's economic policy options (Michie & Padayachee, 1997a: 11-12).

## 11. The Reconstruction and Development Programme (RDP)

The Reconstruction and Development Programme (RDP) was the result of the inputs by ANC elites' policy networks. The National Reconstruction and Strategy Conference, held in January 1994 (before the elections in April) is significant in terms of its participants and its outcomes. The Conference involved the ANC, COSATU, the SACP, organisations of the Patriotic Front and aligned organisations. The purpose was to discuss the sixth draft of the RDP, which subsequently became the ANC-led GNU's first development policy strategy.

The ANC (1994b: internet) described the principles of the RDP as a people-driven process, peace and security for all, nation-building, and linking reconstruction and development. The RDP's key programmes were identified as meeting basic needs, developing human resources, building the economy, democratising the state and society, and implementing the RDP. Once the RDP was accepted as a policy framework of the GNU (Republic of South Africa, 1994: internet), the need for economic and development coalitions was outlined. Whereas the RDP Base Document (ANC, 1994b: internet) refers to the need to mobilise new funds and the conduct of relations with IFIs such as the World Bank and the IMF, this aspect is not mentioned in the final RDP policy document (Republic of South Africa, 1994: internet).

In the section, 'The corporate sector', the RDP (Republic of South Africa, 1994: internet) outlined the opportunities for business in post apartheid South Africa: 'Business can profit hugely from the new opportunities offered by economic and social changes, especially the increased engagement with regional and international trade and the development of social and economic infrastructure'. Moreover it stated, 'The domination of business activities by white business and the exclusion of black people and women from the mainstream of economic activity are causes for great concern for the reconstruction and development process. A central objective of the RDP is to de-racialise business ownership and control completely, through focused policies of black economic empowerment'.

In order to achieve some of the RDP's objectives, several policies – affirmative action and black economic empowerment - were implemented and institutions illustrative of an economic pact established. Furthermore, the National Economic, Development and Labour Council (NEDLAC) was established in 1995. NEDLAC includes labour, business, civil society and the government, as well as a broader group of interests and organisations. Moreover, the establishment of Cabinet Committees, Presidential Projects, and a Ministry, an RDP Office Ministerial Forums, inter-governmental committees and a special Portfolio Committee on the RDP illustrated elite commitment to development.

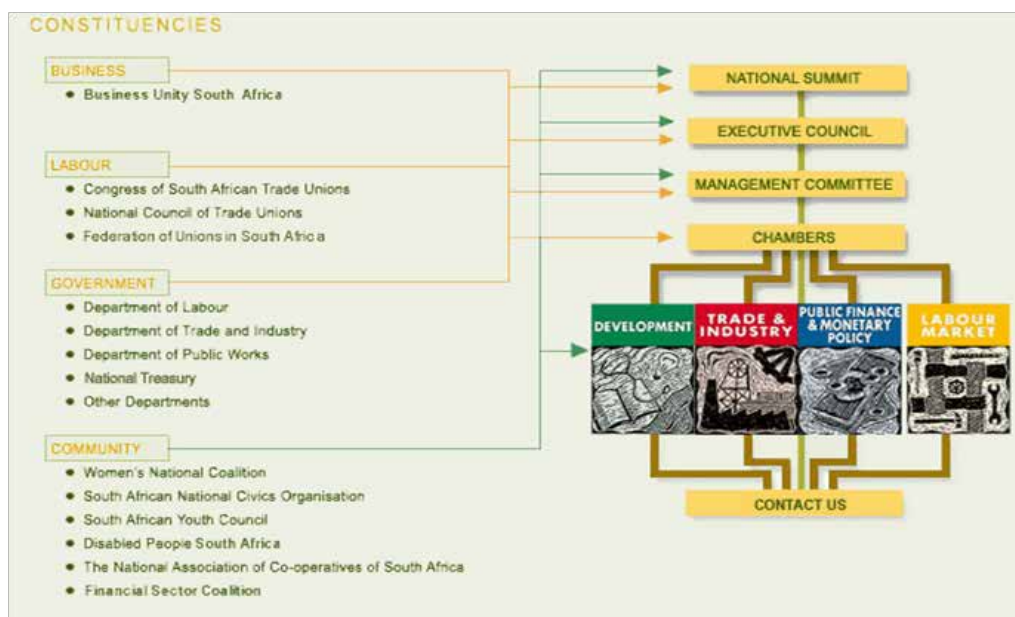
The RDP prioritised social spending, as well as advocating prudent fiscal policies. One of the significant successes of the RDP was the reconstruction of public finances; albeit to the detriment of social spending. However, insufficient growth precluded social investment resulting in the adjustment of government's economic policies. Simultaneously, tensions within the GNU resulted in the NP's withdrawal in 1996. Left with only one minority coalition member, the IFP, the ANC could proceed almost unilaterally to implement its policies. It also became clear that more growth was required to sustain development. Despite significant budgetary allocations and some early successes, the RDP was downgraded, and eventually abolished in March 1996 with the closure of the RDP Office and Ministry. The Minister for the RDP, Jay Naidoo, was redeployed to the position of Minister of Post and Telecommunications.

## 12. The National Economic, Development and Labour Council (NEDLAC)

Established in 1994, as Figure 1 (below) outlines, NEDLAC is a corporatist coalition including government, organised business, organised labour and organised civil society. Since its inception, NEDLAC's (2008: internet) aim is 'to discuss and try to reach consensus on issues of social and economic policy. This is called "social dialogue"'. It also aims 'to make economic decision-making more inclusive, to promote the goals of economic growth and social equity'. Practically, the National Economic, Development and Labour Council Act (No 35 of 1994) provides that NEDLAC should 'consider all significant changes to social and economic policy before it is implemented or introduced in Parliament.'

Business' role in NEDLAC is important as organised business played a significant role in the transition to democracy. Examples include business elites' initiatives to broker meetings with exiled ANC leaders, facilitate meetings between the ANC and the NP government, assisted in defining development goals, acting as a clearing house for economic policy, and providing institutional capacity (which the ANC lacked at the time it was elected into power) (Bernstein, Berger & Godsell, 2000: 7-8). More specifically, organised business associations played a key role in the transition through its membership (in or exclusive), influence via state-sponsored consultative groups and its implementation of government policies (Doner, Schneider & Wilson, 2000: 126-145).

Figure 1: The structure of the National Economic, Development and Labour Council (NEDLAC)



Source: NEDLAC (2008: internet)

Since 1994, examples of black and white business elite coalitions included the Afrikaanse Handel­instituut (AHI), the Chamber of Mines, the Consultative Business Movement (CBM), the National African Chamber of Commerce, Business South Africa (BSA), National African Federated Chamber of Commerce (NAFCOC) and the South African Chamber of Business (SACOB).

Business Unity South Africa (BUSA) represents the interests of business at NEDLAC. BUSA emerged from a merger of the Black Business Council (BBC) and Business South Africa (BSA). As Box 1 indicates, BUSA is effectively a coalition of old and new business elites. According to BUSA (2008: internet), it represents South African business on macro-economic and high-level issues that affect it at the national and international levels. Our function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive'.

The Congress of South African Trade Unions (COSATU) is the largest representative of labour at NEDLAC. COSATU is a coalition of 22 trade unions (COSATU, 2008: internet) and also the owner of Kopano Ke Matla Investment Company (*Mail & Guardian Comment*, 20 March 2008: 3).

COSATU was launched in December 1985 after four years of unity talks between labour unions opposed to apartheid. The ANC and COSATU's ties date back to a workshop in Harare, Zimbabwe in March 1990. COSATU'S Economic Trends Research Group was instrumental in preparing policy documents, which by 1993 resulted in COSATU's *Reconstruction Accord*, which, inter alia, confirmed COSATU's support of the ANC in the 1994 elections. More importantly, COSATU was instrumental in preparing policy documents on post apartheid reconstruction and development, which subsequently resulted in the RDP.

### Box 1: Members of Business Unity South Africa (BUSA)

African Minerals and Energy Forum (AMEF), Agri SA, Afrikaanse Handel­instituut (AHI), Association for the Advancement of Black, Accountants of Southern Africa (ABASA), Association of Black Securities and Investment Professionals (ABSIP), Automobile Manufacturers Employer ' Organisation (AMEO), National Association of Automotive Component and Allied Manufacturers (NAACAM), National Association of Automobile Manufacturers of South Africa (NAAMSA), Black Information Technology Forum (BITF), Black Lawyers Association (BLA), Black Management Forum (BMF), Casino Association of South Africa (CASA), Chamber of Mines of South Africa (COM), Chemical and Allied Industries' Association (CAIA), Confederation of Associations in the Private Employment Sector (CAPES), Congress of Business and Economics (CBE), Master Builders South Africa (MBSA), South African Federation of Civil Engineering Contractors (SAFCEC), Financial Planning Institute of Southern Africa (FPI), Life Offices Association (LOA), National African Federated Chamber of Commerce and Industry (NAFCOC), NAFCOC Construction (formerly NAFBI), National African Farmers Union of South Africa (NAFU), National Black Business Caucus (NBBC), National Industrial Chamber (NIC), Retailers' Association (RA), Road Freight Employers Association (RFEA), South African Black Technical and Allied Careers Organisation (SABTACO), South African Chamber of Business (SACOB), South African Communications Forum (SACF), South African Institute of Black Property Practitioners (SAIBPP), South African Insurance Association (SAIA), South African Leisure & Tourism Association (SALTA), South African Petroleum Industry Association (SAPIA), Steel and Engineering Industries Federation of South Africa (SEIFSA), United Businesswomen of South Africa (UBSA).

Source: BUSA (2008: internet)

### 13. Growth, Employment and Redistribution: A Macro-economic Strategy (GEAR)

Growing global financial turmoil in the mid-1990s affected the South African economy to such an extent that the Rand depreciated significantly. Following a visit by the IMF in 1995, reports implied that the IMF was not satisfied by the GNU's economic performance (Padayachee, 1997: 37).

Subsequent to the demise of the RDP, a new business-led development coalition emerged. By the mid-1990s, the Brenthurst Group was incorporated into the South Africa Foundation (SAF), which was established in 1959. By then an organisation comprising 60 of the largest South African corporations (unlike the executive-based Brenthurst Group) representing predominantly white capital, the SAF's main aim was to improve the influence of big business in macroeconomic policies, to promote the interests of big business and secure economic growth.

The South Africa Foundation (SAF) (1996: internet) published an economic strategy document, *Growth for All. An Economic Strategy for South Africa* in February 1996.<sup>5</sup> Its critiques of the new political elite's policies resulted in a backlash from other elite coalitions, most notably the Tripartite Alliance (TA). The Tripartite Alliance responded with a document entitled *Social Equity and Job Creation*, which was based on its pre-election MERG (Macroeconomic Research Group) Report. In *Social Equity and Job Creation*, ANC elites in government undertook to formulate a policy framework for growth and development, which would include the SAF's proposals for, inter alia, stimulating growth, exports, the creation of employment, the transformation of the public service and a national crime-prevention strategy (Blumenfeld, 1998: internet). Four months later, in June 1996, the South Africa government discarded the RDP and adopted a pro-growth and pro-business economic orthodox economic reform policy, the *Growth, Employment and Redistribution: a Macro-economic Strategy* (GEAR) (Republic of South Africa, 1996). GEAR set out to achieve its objectives through the following mechanisms:

- Investment incentives;
- Tariff reductions;
- Public service restructuring;
- Budgetary reform;
- Real exchange-rate stability;
- Privatization;
- Labour market reforms;
- Lifting exchange controls; and
- Social accords. 'Negotiation of a 'national social agreement' between labour, government and business was proposed, with the immediate objective of ensuring that the earlier currency depreciation did not translate into an upward spiral of wages and prices, and the longer-term objective of addressing wider issues of economic restructuring' (Blumenfeld, 1998: internet).

Numerous explanations have been offered for this rightward shift by the ANC: the 'petit bourgeois' nature of the ANC's leadership, the impact of globalisation (Carmody, 2002: 257) and by the fact that 'the fiscal implications of power-sharing have probably not been fully analyzed by the ANC' (Herbst in Sisk, 1994: 73). Earlier, four elite-driven events and developments - the nature of the political settlement, the role of business, developments in the ANC and the role of international financial institutions - were identified as explanatory factors. Whereas the RDP was supported by coalitions with overlapping memberships (GNU and the TA), GEAR was instituted by government without any consultation with NEDLAC, the other GNU partners or TA members. Accused of being a *government* - rather than

<sup>5</sup> The South Africa Foundation changed its name to Business Leadership South Africa in 2005.

an ANC and TA - initiative, GEAR excluded some of the members of the ANC government's development coalition. In fact, by government's own admission, GEAR was based on various econometric models of the South African economy produced by policy networks and included the South African Reserve Bank Model, the World Bank Econometric Model, and the University of Stellenbosch's Bureau for Economic Research Model, the Development Bank of Southern Africa Model and the World Bank's CGE Model (Republic of South Africa, 1996: 37). The ANC-led GNU's adoption of GEAR was widely supported by business and international finance.

Whereas the RDP focused on 'growth, development, reconstruction, redistribution and reconciliation' (Republic of South Africa, 1994: internet), the GEAR explicitly focused on the reduction of deficit and to increase the rate of economic growth (Weeks, 1999: 795-811). In terms of GEAR, macroeconomic stability formed the basis for economic growth. The *Strategy* also focuses on fiscal and tariff reform, public sector restructuring (including the selling of state-owned enterprises), consistent monetary policy and the continued reorientation of public expenditure towards social spending (Faulkner and Loewald, 2008: 27-28). Whereas the RDP seemed to have placed BEE at the centre of its redistributive policy, GEAR focused on market-friendly, non-interventionist and globally competitive economic policies that left little room for redistribution.

In terms of GEAR, some state-owned enterprises (SOEs) in South Africa were privatised and job-shedding economic growth occurred, which alienated COSATU, a member of the TA. In fact, prior to the ANC's 1997 National Convention, COSATU made one of its first threats that, if the ANC leadership in government did not reverse its neo-liberal economic policies, COSATU would consider the possibility of establishing a left-of-centre political party. For COSATU, GEAR pleased foreign investors to the detriment of poverty alleviation (Koelble, 1998: 165).

COSATU remains particularly critical of GEAR (Gumede, 2008: 105-112), and others for its 'double class compromise', i.e. a capitalist approach in return for higher wages, and resulting in limited redistribution, and the lack of labour-intensive growth (Natrass & Seekings, 2001: 493-494, Bruggemans, 2004: 60-83, Barchiesi, 2008: 119-142). COSATU accused the government of formulating and implementing the GEAR without any consultations with its Alliance partners, as well as creating a business-friendly economic policy to the detriment of labour and the poor. Despite strong differences on GEAR, COSATU remains a coalition partner.

A preliminary assessment of GEAR indicated that its focus on trade liberalisation, privatisation and tight macroeconomic policies failed to improve employment figures, which resulted in more black people left in the 'second economy', i.e. outside the formal economy. Government has capitulated on its early aggressive efforts to institute industry charters, which resulted in 'the actual policy response has been to locate BEE in voluntarist and consensual terms, without concrete sanctions in place for non-compliance, and in structures effectively governed by the private sector' (Ponte, Roberts & van Sittert, 2007: 948). More importantly, one of the main outcomes of the ANC government's adoption of GEAR is that it established closer links between ANC elites, government, and white business elites predating 1994.

## 14. Transition and transformation

The termination of the GNU in 1999 signalled that South Africa's political *transition* (the establishment of new formal political rules and institutions) was relatively successful. Prior to the end of the GNU, ANC elites' focus shifted to *transformation* to reflect and accelerate social changes and relationships in post apartheid South Africa (Stedman in Sisk, 1994: 72). In fact, the *Resolution on Economic Transformation* adopted at the ANC's 51st National Conference identified the following objectives to be achieved:

- 'Faster, employment-creating growth based on higher and better structured investment;
- More equitable ownership of productive assets as well as access to skills and infrastructure in order to empower Africans in particular; black people in general, women, youth and the poor;
- A substantial expansion in employment opportunities and sustainable livelihoods;
- Programmes to meet basic needs and alleviate poverty in ways that as far as possible expand domestic demand and increase productive employment; and,
- Well-managed integration within regional and world markets' (Mbeki, 2007: internet).

Initially, the government's policies for transformation were reminiscent of the Malaysian model (Mandla, 2005; Sartorius & Botha, 2008: 437-453). Affirmative action and employment equity were two of the first approaches to achieve transformation.<sup>6</sup>

Fearing more state-driven transformation initiatives, large business corporations pre-dating 1994 initiated and embarked on a series of voluntary 'unbundling' exercises. Whereas state-led policies such as affirmative action and employment equity attempted to improve blacks' access to the economy, business corporations' voluntary unbundling was an early initiative to change the structure of business ownership in South Africa. It effectively resulted in these corporations' selling of their non-core business operations to new black business elites, which significantly increased (0.5% to almost 20%) black business elites' proportion of shares on the Johannesburg Stock Exchange (now the Johannesburg Securities Exchange) between 1995 to 1998 (Carmody, 2002: 264). Two notable early beneficiaries of these business-led initiatives included ANC leaders such as Tokyo Sexwale (Premier of Gauteng province, 1994-1999) and Cyril Ramaphosa (former trade unionist and the ANC's chief negotiator during the democratic transition). Sexwale and Ramaphosa's first foray into business were black empowerment syndicates. Sexwale joined the JCI Group and Ramaphosa joined the New Africa Investment Limited (NAIL) (see Box 2), the first BEE company listed on the Johannesburg Stock Exchange (JSE) (Koelble, 1998: 161; Mandla, 2005: 43).

### Box 2: SANLAM and NAIL: voluntary unbundling

In 1993, the Afrikaner insurance conglomerate, SANLAM, initiated a series of unbundling exercises. Funded by the state-owned empowerment finance company, the Industrial Development Corporation (IDC), Sanlam sold Metlife (a life insurance entity) to Soweto-based medical doctor and businessman, Nthatho Motlana. Motlana established New African Investments Limited (NAIL), which by 1998 achieved a market capitalisation of US\$ 1 billion.

NAIL's Board of Directors resembled a black political-turned-business aristocracy. Apart from Motlana, it included:

- Dikgang Moseneke (Deputy President of the Pan Africanist Congress (PAC) during the pre-1994 negotiations. Moseneke decided to leave politics before the 1994 elections. Then they were joined by
- Cyril Ramaphosa (Outgoing Secretary General of the ANC, lawyer, former trade union leader and senior ANC negotiator during the transition).
- Zwelakhe Sisulu (son of Mandela's friend and mentor Walter Sisulu, editor and media union leader).

Source: Hirsch (2005: internet)

<sup>6</sup> Affirmative action is not a new policy to South Africa. It was practiced by the NP government through its preference for appointing white males, preferably members of the Broederbond.

Originating from the ANC-led GNU's RDP, black economic empowerment (BEE) is an additional mechanism to achieve economic transformation. Two phases characterise black economic empowerment in South Africa:

### First phase: RDP to the BEE Commission (1994-2000)

By 1996, government discarded the RDP and implemented GEAR. Despite these policy frameworks, no strategy for black economic empowerment existed. This resulted in the appointment of ANC stalwart, former trade unionist and post 1994 business tycoon, Cyril Ramaphosa to head a Black Economic Empowerment (BEE) Commission. Appointed by the Black Business Council consisting of eleven prominent black business organisations, Ramaphosa's brief included to clarify and codify black economic empowerment. The BEE Commission Report, released in 2000, affirmed the role of the state as the driver and monitor of BEE. Moreover, it argued the case for greater state control to mitigate the negative effects of globalisation, and an end to the economic marginalisation of black South Africans (Ponte, Roberts & van Sittert, 2007: 941-942).

Whereas black economic empowerment had improved significantly since 1994 (Table 4), President Mbeki stated in his 'Two Nations' address to Parliament in February 1998 that BEE was not enough as it seems to favour a small elite. This resulted in a NEDLAC initiative to 'repackage the concept as "broad-based BEE"' (Ponte, Roberts & van Sittert, 2007: 934).

**Table 4 - Number of black-led companies listed on Johannesburg Stock Exchange**

	November 1994	May 1995	April 1996	December 1996	January 1998
<b>Number</b>	8	11	14	17	53

Source: Mandla (2005: 44)

### Second phase: Industry Charters to Broad-based Black Economic Empowerment (BBEE Act) and Codes (From 2000)

By 2000, the second phase of BEE was introduced with the formulation of industry empowerment charters, the BBEE Act and a series of codes of implementation (Ponte, Roberts & van Sittert, 2007: 934). The BEE Commission Report resulted in the implementation of a series of empowerment charters to affirm the state's role, as well as ending the economic marginalisation of black South Africans. In November 2000, the first state-initiated industry charter was released. It covered the Petroleum and Liquid Fuels Industry. Followed by another state-led initiative, the Mining Charter, the focus of these charters shifted from 'historically disadvantaged South Africans' (HDSAs) to 'black' South Africans only. The objective of, for example, the Financial Services Charter, is to improve access to banking services. In terms of this Charter, accounts have been extended to 4.2 million 'previously unbanked' South Africans (Mbeki, 2007: internet). More recent charters such as tourism and financial services were adopted voluntarily by negotiations between government, business and labour organisations (Ponte, Roberts & van Sittert, 2007: 942-944).

In 2003, the Broad-Based Black Economic Empowerment Act (Act no 53 of 2003) was legislated with the purpose to 'establish a legislative framework for the promotion of black economic empowerment'. The Act also established the Black Economic Empowerment Advisory Council, to 'facilitate partner-

ships between organs of the state and the private sector' (Republic of South Africa, 2004). Moreover, the Act requires corporations to comply with certain provisions. Unlike the old elites' voluntary 'unbundling' efforts, which recruited new business elites, the Act formalised the recruitment of new business elites as shareholders, directors and owners of business corporations in South Africa.

The Employment Equity Act (EE) improved employment equity from 19-27% for top managers between 2001 and 2005 (Mbeki, 2007: internet). Speaking to an investors' luncheon in New York in October 2008, ANC President Jacob Zuma (2008a: internet) explained the purpose of the Act as 'giving meaning to our equity and affirmative action policies to ensure the transformation of the workplace to be in line with the country's demographics and gender'. Zuma also referred to the results of EE. See Box 3.

### Box 3: The results of employment equity policies

'The areas in which black people and women are excluded mostly are the first three upper occupational levels - top management, senior management and professionally qualified and middle management.

The report from the country's Employment Equity Commission on change relating to race from 2003 to 2007 notes the following in the top management echelons nationwide:

- Africans increased by 3.9% points to 18.8%
- Coloureds decreased by 0.1% points to 3.9%
- Indians increased by 1.2% points to 6.1%.
- Whites are still dominating at 68.2%.

In the senior management level during the same period, whites maintained dominance at 65.2%, with blacks at 18.1%. On senior management recruitments during the same period, 40.6% were black and 55.2% were white.

The Commission has concluded that white males continue to dominate all three top levels including recruitment and promotion.

The employment equity figures clearly indicate that it is still early days to call for an end of affirmative action in South Africa.

The Employment Equity Commission views the exponential rise of white women in managerial positions as proof that Affirmative Action works. White women are part of the designated groups that qualify for affirmative action'.

Source: Zuma (2008a: internet)

## 15. Outcomes of the economic pact

South Africa's second democratic election took place in 1999 and Thabo Mbeki, an economist by training, succeeded Nelson Mandela as the South African President. Some ANC political elites, beneficiaries of unbundling and BEE, circulated to business after the 1999 elections. In 2004, the ANC enlarged its parliamentary majority. The period saw the continuation of GEAR, and the total disintegration of the RDP. Since 2004, the influence of NEDLAC's (as an elite coalition) waned. A possible explanation for this is the implementation of the BBBEE Act, and the positive results it produced (see box 3 below), including the creation of new elites, elite circulation and the establishment of new growth coalitions, such as, for example, BUSA. Moreover, the transformed relations between ANC and business elites produced other significant outcomes: elite circulation and interpenetration (interlock), presidential-



business coalitions, elite collusion and some economic transformation.<sup>7</sup> Please refer to my footnote 8.

### Elite circulation and interpenetration (interlock)

- **The redeployment of ANC elites to politics and business.** This is reminiscent of the practices of *amakudari* in Japan and *pantouflage* (move to comfortable position) in France (Dogan, 2003: 9).
- **Elite circulation**, which is defined as 'the turnover and tenure of individuals or sets of individuals in power' (Cassekens, 1989: 294). Box 4 includes examples of elite circulation and examples of so-called 'elite cousinhood': common family origins and ties across powerful arenas, which reflects a 'narrow social base of recruitment and the phenomenon of elite reproduction' (Dogan, 2003: 2). Members of the families of, for example, Oliver Tambo, Nelson Mandela, Govan Mbeki and Walter Sisulu were and continue to be in various powerful positions in the ANC, government and business. In this sense, these elites are 'a particular social stratum, relatively homogenous and self-perpetuating', and they are able 'to affect national political outcomes regularly and substantially' (VonDoepp & Villalón, 2005: 12).
- **The occurrence of elite interlock or interpenetration.** In addressing the consequences of government's broad-based black economic empowerment (BBBEE) policy, Carroll's (2008: 44-63) analysis of the Canadian corporate elite is instructive. Business elites' multiple directorships weave directorates of corporations into a cohesive network of interests and policies. Furthermore, the densification of interlocking (concurrent relations) elites contributes to elite recruitment, stability, reproduction, and coalitions consolidate elite interests. ANC and black elites moved from one power arena to another: politics to business, and back to politics (Dogan, 2003: 1). This is particularly evident in the number of multiple directorships of business and political elites.

<sup>7</sup> Here, elite collusion is evident in the powerful triad between the Union Buildings (government), Luthuli House (ANC Headquarters) and 44 Main Street (the former address of Anglo American in Johannesburg, 44 Main Street is a symbolic reference to capital/business). The collusive nature of these relations emerges when, for example, powerful party officials and top bureaucrats serve on multiple Boards of Directors of large corporations. In some cases, these corporations have made large donations to the ANC, brokered deals on behalf of business and secured preferential tenders for business.

#### Box 4: Elite circulation and cousinhood in the ANC: some examples

The circulation of elites can be defined as 'the turnover in power of socioeconomic classes' (Pareto in Casstevens, 1989: 294) or 'the turnover and tenure of individuals or sets of individuals in positions of power' (Casstevens, 1989: 294). Modes of circulation in South Africa include:

##### Circulation via family connections

###### *The Skweiyas*

In South Africa, one of the 183 people in worth over R100m is Tutukile Skweyiya (wife of the Social Development Minister, Zola Skweyiya). Tutukile Skweyiya is also a major shareholder in Continental Africa Power Supplies, which was awarded a lucrative Eskom, the state power utility, contract.

###### *The Motsepes & Radebes*

By 2007, Patrice Motsepe, the executive chairperson of African Rainbow Minerals (ARM) and brother of Bridgette Radebe (wife of Minister of Transport, Jeff Radebe), was considered the 3rd richest South African, with an estimated fortune of R 13.5 billion. By 2008, his wealth was estimated at R 25 billion.

##### Redeployment

An increasingly common example of elite circulation is 'redeployment' to the private sector, as away to resolve political tensions within the state and the ANC leadership groups.

##### Broad-based black economic empowerment

By 2006, ANC and SACP stalwarts such as Tokyo Sexwale, Cyril Ramaphosa, Saki Macozoma, Marcel Golding, Popo Molefe and Vali Moosa were regarded as some of the richest South Africans.

Tokyo Sexwale, a former MK operative and Robben Island prisoner, was elected as Gauteng's Premier in 1994. He left political office in 1999 and has greatly benefited from BBBEE deals. He is considered one of the richest men in South Africa. His *Mvelaphanda Holdings* operates in South Africa and across the continent. Sexwale was elected to the ANC National Executive Committee at its Polokwane Conference in 1997 and is an open supporter of Jacob Zuma, the current ANC President.

Sources: *The Times* (2007: internet and 2008a: internet); Robinson & Brümmer (2006: 8); *Sunday Times* (2006: 2); *Mail & Guardian* (2008: 6).

## Presidential-business coalitions

**Presidential coalitions and elite cooperation.** During his presidency (1999-2008), Thabo Mbeki was associated with several informal economic/business coalitions:

- Whilst still Deputy President, Mbeki established the Consultative Council, 'a secretive twenty-four member think tank' to advise him on economic policy (Gumede, 2008: 74). It met regularly and included political, bureaucratic and other elites, including, for example, Mbhazima Shilowa (the then COSATU General Secretary and later the Premier of Gauteng Province), Charles Nqakula (the then SACP General Secretary and later Minister of Safety and Security), Aziz and Essop Pahad (Mbeki's friends since their days as Sussex student in exile, and Mbeki's Deputy Minister of Foreign Affairs and Minister in the Office of the Presidency, respectively), Sydney Mufamadi (the then Minister of Safety and Security, later Minister of Provincial and Local Government), Joe Modise (the Minister of Defence), human rights lawyer Linda Zama, Wiseman Nkuhle (Chairman of the Development Bank of Southern Africa) and Sam Ramsamy (the then President of the National Olympic Council

of South Africa) (Gumede, 2008: 74).

- The government's fall-out with the South Africa Foundation in 1996 did not deter business from re-establishing closer ties with key government elites. In 1998, leading South African corporations established the Business Trust, with a billion rand business-sponsored fund to create employment. According to Gevisser (2007: 688), 'big business bought its way back to the table'. Subsequent to the establishment of the Business Trust, a consultative forum between business and government was set up, with the then President, Thabo Mbeki as the leading government official.
- Mbeki also maintained coalitions with formal business associations and policy advisory groups such as the Big Business Working Group, the Black Business Working Group and the Commercial Agriculture Working Group. Established by Mbeki in 1999, it included Cabinet Ministers, as well as the relevant business executives, which met twice to three times a year (Taylor, 2007: 173).

A meeting of these Working Groups in December 2001, proposed the convening of a Growth and Development Summit (GDS) to 'address the urgent challenges facing us in the economy and build an enduring partnership in which all of us can lend a hand in building a prosperous South Africa' (Mbeki, 2002: internet).

The Growth and Development Summit (GDS) took place in 2003 'to give further impetus to the programme of economic development and reconstruction' of the government (ANC, 2003: internet). The Summit, attended by South Africa's largest trade union federations (COSATU, NACTU, and FEDUSA) business organisations (NAFCOC, the Black Business Council, SACOB, the AHI and the South African Foundation) and NEDLAC, adopted joint strategies to implement BEE to broaden business ownership, improve employment and household incomes, and improve literacy and skills development. The government's Accelerated and *Shared Growth Initiative for South Africa* (AsgiSA) (discussed later) builds on the results of the Growth and Development Summit.

- Mbeki was also instrumental in establishing the International Marketing Council (IMC) in 2000. The IMC is a joint government-international private sector initiative to promote South Africa and facilitate investment.
- In 1996, The Native Club was established under the patronage of then President Thabo Mbeki. Based in Pretoria at the Africa Institute of South Africa (AISA), a government research organisation pre-dating 1994, the Club is partly by a government department, the Department of Arts and Culture. It is regarded as close to the ANC. Former President Thabo Mbeki denied in Parliament that The Native Club was his brainchild. However, the Club's chairperson was an advisor to President Mbeki and a founder, Sandile Memela, is a government spokesman (*The Guardian*, 15 June 2006: internet).

Titus Mafolo (2006: internet), a founding member of The Native Club defines it as 'a forum, led by a small committee that facilitates workshops, discussions and debates around different issues and will soon begin research around identified topics. It is a club that seeks to encourage on-going critical engagement, especially among blacks, around the many and varied matters confronting our transformation.' These 'varied matters' seems to be very broad, including politics, economics and culture. As an elite coalition, the Native Club is also vocal on economic transformation (Box 5).

### Box 5: The Native Club on economic transformation<sup>8</sup>

'The apartheid political edifice has been largely dismantled with most of the laws that underpinned the system repealed and the many apartheid structures replaced with democratic institutions. The transformation of the South African society stands on three pillars - politics, economy and culture. Since 1994, the political transition has advanced rapidly.

Not surprisingly, the second pillar, the economy, poses more difficulties than that of politics. Twelve years after liberation the economy is still firmly in the hands of whites, most of whom continue to resist transformation of the economy and had to be dragged into the process of economic change through legislation.

Although there are laudable interventions in the economy, the jury is still out as to whether the existing measures are sufficient to radically change the ownership, control and management of the South African economy'.

Source: Mafolo (2006: internet)

### Elite Collusion<sup>9</sup>

- **The emergence of the business interests of the ANC.** Established in 2006 by the then ANC Treasurer, Mendi Msimang (husband of the then Minister of Health, Manto Tshabalala-Msimang and a close Mbeki associate), the Progressive Business Forum (PBF) is a membership-based ANC business initiative. The ANC describes the PBF as 'its own business group' with its 'primary objective an ongoing two-way dialogue between the ANC and the business community' (Schoeman & Swanepoel, 2008: internet). The PBF has, for example, hosted meetings between business leaders, government Ministers and Chinese officials. Despite its hefty individual membership fees (ranging from R3 000-R7 000) and corporate membership fees (R12 500-R60 000), it has attracted 2000 paid-up members by 2007 (Gumede, 2008: 164).

This has resulted in, for example, the establishment and growth of ANC-controlled companies such as Chancellor House (and its investments in Hitachi Power Africa, Tshole Technology Holdings, Wits Gold, Grindrod J & J, Afgem and Bateman Africa), The Network Lounge, Zandile Investment Trust, Imvume, Nkobi Holdings, and the South African Oil Company. In addition to this, the ANC Women's League is the owner of non-profit organisation, Malibongwe Women's Development, a significant beneficiary of BBBEE (*Mail & Guardian Comment*, 20 March 2008: 3).

- **The rise of financial intermediaries.** Savage and Williams (2008: 10) define financial intermediaries as elites or corporations whose role is not the executive management of 'men and things' but rather 'the switching or servicing' of money, profits and deals. These intermediaries' importance lies in their ability to 'move between the worlds of business, politics, media...and through this process act as a means of mediating connections between dispersed social circles' (Savage & Williams, 2008: 16). In 2008, a BBBEE deal involving Standard Bank, Liberty Life and the asset management company, Stanlib, brokered by ANC stalwart Saki Macozoma, resulted in R9m from the proceeds being paid to the ANC (*Sunday Times*, 9 March 2008: internet).
- **Impacting on the relationship between government and business.** Public entities such as PetroSA, Telkom and Transnet have provided the ANC with funding for election campaigns (Robinson & Brümmer, 2006: 1-40; *Sunday Times*, 9 March 2008: internet; *Mail & Guardian*, 14 March 2008: 3). Some of these relationships have resulted in the side-lining of democratic institutions such as Parliament. A notable example is South Africa's controversial (at the time estimated at £5 billion) arms

<sup>8</sup> Box 5 is taken *verbatim* from a piece written by Mafolo, which was published in the ANC publication, *Umrabulo*.

<sup>9</sup> As indicated in a previous footnote, signs of elite collusion appeared during and subsequent to the economic pact. Elites who have benefitted from broad-based black economic empowerment have also become powerful political brokers and agents of economic distribution. In some cases, these relationships and activities are tantamount to corruption as defined by, for example, Transparency International (TI). Elite collusion is also against the spirit of broad-based economic empowerment which, *inter alia*, arose from a distributive coalition between government and business. It has resulted in an allocative coalition which is characterised by elites allocating more benefits and resources to members of a small power elite.

deal. Some government, ANC and business elites have benefited from the arms deal. The parliamentary Public Accounts Committee (SCOPA) has been unsuccessful in holding these elites to account. ANC MP Andrew Feinstein resigned in protest. Feinstein (2007) alleges that the then Minister of Defence, Joe Modise, and several other ANC leaders (such as Jacob Zuma) and business men benefitted financially from the deal.

### Some economic transformation

Changes in the decision-making structures of corporations produced another elite-driven policy consequence. In compliance with the BBBEE Act, South African business corporations embarked on the offering of discounted shares to black South Africans only. Notable examples include Multichoice's *Phuthuma Nathi*, Nedbank's *Eyethu*, Media 24's *Welkom Yizani*, and MTN's *Asonge* and *Inzalo* offerings (*The Times*, 2008b: internet).

Box 3 outlined the results produced by employment equity policies. Other significant economic transformation also took place:

- This includes the increase in the number (up from 14 in 1992 to 156 in 2002) of black directors on the Boards of top JSE companies.
- In September 2004, 435 black directors served in JSE companies compared with 432 in 2003.
- In 2003, the composition of the Boards of state-owned enterprises (SOEs) was 63% black, 2.5% Indian, 9.9% coloured and 24.7% white.
- By 2003, black South Africans constituted 61% of all professionals, technicians and associate professionals, and 44% of managerial positions in the economy (Hirsch, 2005: internet).

In an assessment of the ANC government's economic and development policies, Habib & Padayachee (2000: internet) concluded:

"The economic policies implemented by the ANC since 1994 have had a differential impact on various groups. Some such as conglomerate (white) business, the aspirant black bourgeoisie, and black professionals have benefited in the short term from the imposition of neoliberal economic policies. The conglomerates have benefited from the tax concessions, the lowering of inflation, and the privatization program. They have also benefited from steady exchange control liberalization (which has permitted the outward flow of increasing amounts of South African capital abroad), and from the opening up of new export markets and some new investment opportunities, especially in Africa and Asia. The aspirant black bourgeoisie has benefited from the privatization of public enterprises, the voluntary asset swaps from domestic white companies, and from the partnerships established with foreign investors that has become mandatory by government regulations. Black professionals have also benefited from promotions and more open employment practices as companies scramble to fulfil affirmative action quotas. These groups, the 'insiders' of South Africa's democratic transition, comprise a minority of the population."

However, what has been the results vis-a-vis the position of 'outsiders'; those caught in Mbeki's 'Second Economy'? Some answers may lie in exploring the notions of developmental elites, developmental state and development pact.

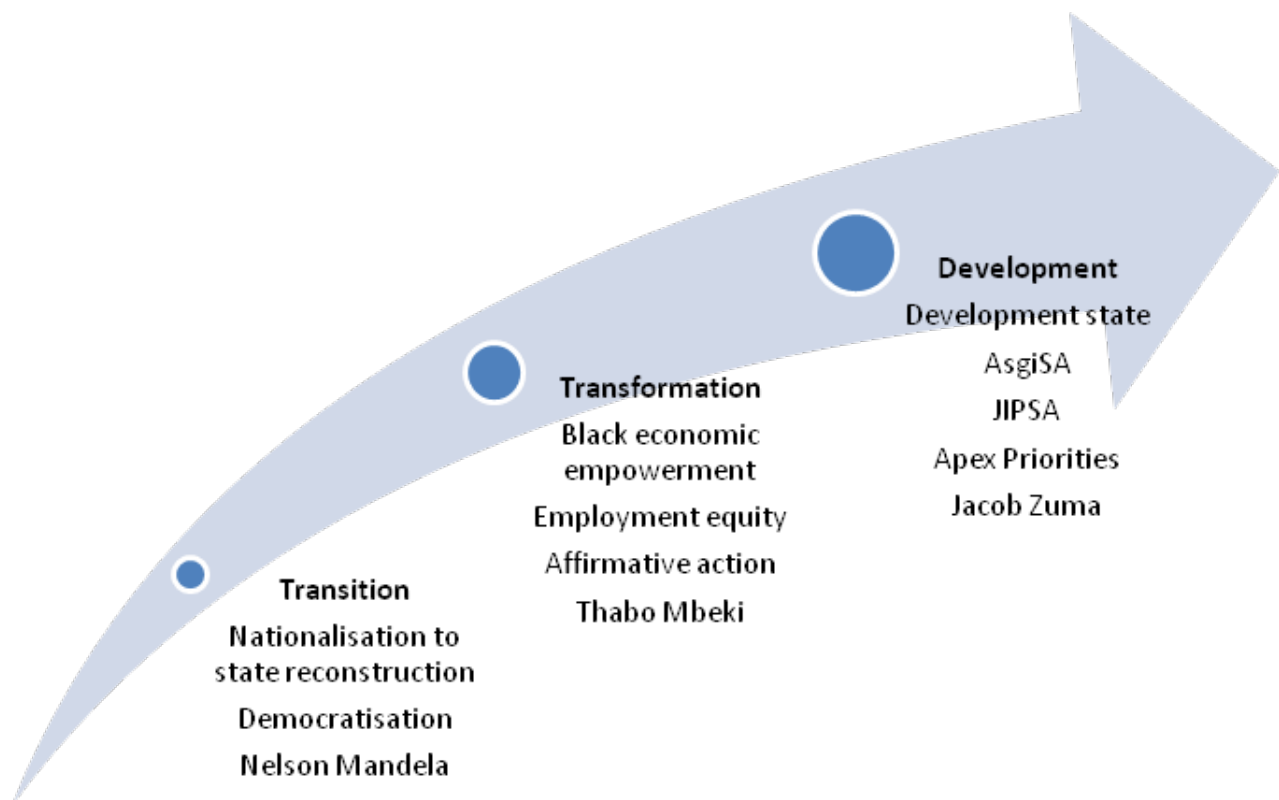
## 05

## Chapter Five: Emergence of development pact-making

## 16. Revisiting the ideals of the Freedom Charter

It is possible to identify a trajectory (diagram 2) for the ANC's economic and development policies. It appears that its focus from 1994 to 2004 (end of Mbeki's first presidential term) predominantly focused on the consolidation of the democratisation pact. Once this transition was achieved, the focus during Mbeki's second term (2004-2008) shifted to the transition/transfer of economic power; essentially economic transformation.

Diagram 2: Post apartheid development trajectory



However, from 2005, the focus clearly shifted to development-orientated initiatives with elites' revisiting of the concept of a *democratic developmental state* to achieve the objectives set out in the Freedom Charter (Erwin, 2008: internet). In fact, the *Declaration* adopted by the ANC's second National General Council (NGC) in 2005 stated:

'This NGC believes that we have now entered a new phase of our national democratic revolution. The

consolidation of political democracy, the growing electoral strength of and support for our movement, and the relative stabilisation of the economy have created a new set of opportunities and challenges for the cause of social transformation. At the heart of this new phase is the challenge of promoting and accelerating sustained development and shared growth, spearheaded by a democratic developmental state, guided and buttressed by an ANC-led popular movement and working in partnership with the people of our country. The consolidation of a united, democratic, non-racial, non-sexist South Africa requires, in particular, the marshalling of our resources and energies to overcome the challenge of persisting underdevelopment, of a deeply polarised society and economy' (Mbeki, 2007: internet).

More importantly, Mbeki's decision to fire his Deputy President, Jacob Zuma, in 2005 had significant outcomes. Widely regarded as a populist, Zuma advocated a return to the 'heart of the ANC', Zuma spoke out against neo-liberal policies such as GEAR and its results. Zuma's sacking strengthened the voice of opponents of Mbeki's economic pact as they maintained that it resulted in access and accumulation of wealth by a small black elite only.

COSATU's release of a discussion document, *A developmental state for SA?* in 2005 was another outcome. The document refers to the economic and development lessons to be learnt from Asia. COSATU also notes that the most important characteristic of a developmental state is not its economic policies but its 'ability to mobilise the nation around economic development within the capitalist system' (COSATU in Andreasson, 2007: 7).

The ANC (2005: internet) responded and has identified mechanisms which a developmental state should deploy:

"The democratic state must take the lead in the transformation of our economy away from the fetters of the past, which constrain growth and development. Among the mechanisms that the developmental state deploys to restore the national wealth of our country to the people are:

- Sustained and substantial investment in economic and social infrastructure, built with methods with a bias towards labour intensive technologies;
- Increasing the access of the masses of the people to physical resources, particularly land, housing and community infrastructure;
- Poverty reduction and eradication through job creation, skills development and budget interventions to increase the social wage, bearing in mind our limited means;
- Affirmative action, broad based black economic empowerment and other interventions designed to fast-track the inclusion of the previously marginalised in the mainstream economy and simultaneously transform the structure of the economy; and,
- Ensuring the growth and development of our economy to provide the means to achieve the broad goals indicated by the Freedom Charter."

Moreover, Zuma's election as ANC President in December 2007 rather than Mbeki produced another outcome: a stronger emphasis on the *Freedom Charter*. Reporting to the ANC's 52nd National Conference in 2007, the then Secretary General (and the current South African President) Kgalema Motlanthe (2007: internet) stated:

"The African National Congress exists in order to unite all the people of South Africa to transform our country as rapidly as possible into a united, democratic, non-racial, non-sexist and prosperous country, based on the principles of the Freedom Charter."

The *Declaration of the 52nd National Conference* adopted at Polokwane in December 2007 clearly states:

“We are only at the beginning of a long journey to a truly united, democratic and prosperous society, based on the principles contained in the Freedom Charter” (ANC, 2007a: internet).

More recently, speaking to black business leaders in October 2008, ANC President Jacob Zuma (2008b: internet) reiterated the significance of the *Freedom Charter* to the ANC and its policies:

“What informs all our policies is the Freedom Charter. On the economic front, the Charter guides us when it says that the People Shall Share in the Country’s Wealth. This involves both ensuring the broadening of the ownership and management of the economy, as well as working to build an economy that creates decent work”.

Although numerous development-orientated policies and institutions were initiated and implemented, the ‘outsiders’ in the Second Economy did not decrease. In fact, ANC elites have admitted this on numerous occasions. In 1999, for example, the ANC (1999: internet) admitted: ‘the tasks we set ourselves in the Reconstruction and Development Programme (RDP) have not all been accomplished’. More recently, the *Declaration of the 52nd National Conference* stated, ‘Our work is far from complete’ (ANC, 2007a: internet).

By 2008, speaking in Switzerland, ANC President Jacob Zuma (2008c: internet) reiterated:

“The ANC has firmly located our country as a developmental state. This presupposes active state intervention in the economy of the country and a sound mechanism to address the needs of the people. We have come to the conclusion that a complete free market economy, without any form of state regulatory intervention, will not be able to address the huge and unacceptable backlog in service delivery, and eradicate poverty and under development”.

Whereas the democratisation pact predominantly consisted of settlements between (political) ANC and NP elites, the economic pact also included business, but excluded Alliance partners. With the notion of a developmental state, it seems as if ANC elites re-focus on its Alliance partners; albeit not without discarding its relations with business elites.

## **17. Developmental elites, developmental state and development pact-making**

Claims about upholding the *Freedom Charter*, or about building a developmental state (see previous section) are not enough to explain change among elites, or in policies. This section seeks to determine to what extent, if at all, elites have achieved a developmental state based on a development pact. A developmental state is defined as a state whose ‘*politics* have concentrated sufficient power, autonomy, capacity and legitimacy at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting conditions of economic growth, or by organising it directly, or a varying combination of both’ (Leftwich in Onuoha, 2008: 20).

A development pact or settlement can be defined as an agreement to reorganise the substance of development policies based on negotiated compromises among a select set of actors which seeks to redefine the rules governing the exercise of power to achieve development. Earlier, some common features of elite settlements were mentioned (Burton & Higley, 1987: 298- 301; Sisk, 1994: 66-75 and 1995: 85-87). In South Africa, the disjuncture between sustained macroeconomic growth and enduring high levels of poverty represents a critical challenge.

Central to a developmental state is, amongst others, coherent and growth-orientated (developmental)



elite. The Tripartite Alliance is a manifestation of this:

“The ANC is the leader of the core of organised forces that drive transformation, represented by the Alliance of the ANC, the South African Communist Party (SACP), the Congress of South African Trade Unions (COSATU) and the South African National Civics Organisation (SANCO). All these organisations remain firmly committed to the creation of a new society based on the principles of the Freedom Charter” (Motlanthe, 2007: internet).

The ANC's coalition with the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU), the Tripartite Alliance (TA), is one of its most enduring. In 1991, Nelson Mandela (1991: internet) described the “South African Communist Party a firm and dependable ally in the common struggle to rid our country of the system of white minority rule. We will therefore rebuff all attempts to drive a wedge between our two organisations”.

Whereas the ANC and the SACP has historical ties, the ANC's ties with COSATU date back to a workshop in Harare, Zimbabwe in March 1990, after the unbanning of liberation organisations. As the largest labour union in South Africa, it wielded tremendous power before the end of apartheid and became one of the front organisations of the then banned ANC. In 1994, as President of the ANC and the Republic, Nelson Mandela (1994: internet) explained the purpose, role and function of the TA:

“[T]he basic motivation behind the Tri-partite Alliance with the South African Communist Party and COSATU remains, in that we still have to realise the objectives of thorough-going democracy and social transformation. This Alliance, the cutting edge in the struggle against apartheid, should be strengthened as we embark on reconstruction and development”.

More recently, the ANC (2003: internet) called for the strengthening of the TA, which now includes the South African National Civics Organisation (SANCO).

Yet, ANC elites took unilateral decisions to terminate the RDP and institute GEAR. Consequently, the Alliance is not united, as indicated earlier, on issues pertaining to the substance and outcomes of GEAR and the RDP. Moreover, coalition partners COSATU and the SACP do not agree with the ANC's notion of transformation. For them, political and economic power predominantly remains in the hands of white capital and a small black elite.

However, labour maintains considerable influence over economic policy for a number of reasons. A considerable number of ANC MPs has a labour union, urban or public sector working class background. Labour remains strongly represented within the ANC leadership. Third, ANC policies are discussed at Alliance meetings, which include COSATU and the SACP. Moreover, labour maintains its influence in the Department of Labour as some of its decision-makers have a labour union background. In addition to this, policy issues are also addressed at NEDLAC which includes labour. Lastly, labour's sheer numbers make it a formidable force in public protests, which it regularly does (Natrass & Seekings, 2001: 492-493).

The ANC has enjoyed successive election victories since 1994. Its successful negotiation of a democratisation pact, as well as its improved social delivery<sup>10</sup>, as reported in table 1, bestows on the ANC government significant performance legitimacy. For ANC elites to successfully achieve a 'double transition' it had to take cognisance of the fact that globalisation is neither tolerant of command economies nor free market systems. One way of mastering this, is the provision of social goods such as housing, education, access to education and social service delivery. It achieved this by negotiating a develop-

<sup>10</sup> This view is supported by the United Nations' (UN) *Human Development Report 2007/2008* (UNDP, 2007: 229-354), the World Bank (2007: vii) and acknowledged by the South African government (The Presidency, 2008a & 2008b).

mental pact based on formal and informal (somewhat corporatist) coalitions with NP elites, white capital, labour and international actors. Moreover, this pact was achieved, as Webster & Adler (1999: 356) remind us, by 'concertation': 'subjecting the reform strategy to the competitive interplay of political forces, improves policy outcomes, builds support (legitimacy) for the reform and their continuation, and thereby helps consolidate democratic institutions'.

A key feature of developmental states is that 'dense networks of interaction between the state and domestic industrial capital' exist (Evans in Carmody, 2002: 261; Weiner, 2000: 111). South Africa is no exception in this regard where ANC and predominantly business elites formed an economic pact, i.e. broad-based black economic empowerment. A development pact needs to go deeper than this to reach the poor and the marginalised. Whereas the economic pact focused on economic empowerment, the development pact focuses on bureaucratic performance and capacity to deliver social goods, skills development and education.

When Thabo Mbeki took office in 1999 GEAR was fully entrenched, but social delivery and improved employment remained lacking. The 'first wave of economic reforms' took place between 1994 and 2004. Cassim (2006: 56) defines it as a pro-growth strategy, fiscal prudence, trade reform and public sector reform. ANC elites maintain bureaucratic power; more so subsequent to the termination of the GNU. However, widespread and regular elite circulation, the ANC's policy of (*re*)*deployment* and predatory (corrupt) elites weaken bureaucratic performance and capacity to deliver social goods.

Mbeki's presidency is characterized by, amongst other, the restructuring of institutions such as the ANC, the Presidency and certain state institutions. Once elected, Mbeki set of to fill powerful positions with his supporters. He almost immediately embarked on modernizing the ANC from a broad-based liberation movement to a governing political party with market-orientated policies. The post apartheid restructuring of the ANC was originally decided at its 48th National Conference in 1991 (ANC, 1994a: internet). Mbeki's inner circle soon included elites drawn from senior ANC government officials, and leaders from academia, parastatals, Afrikaners, English business leaders, religious leaders and newly emerging black businessmen and women. In addition to this, he moved the RDP Ministries' unfinished work to his office, appointed a Parliamentary Advisor and a political committee to oversee the ANC's parliamentary activities and established a Premiers' Council. His establishment of a 'super leadership structure' in 1999 was to act as an early warning system against party rebels. This 'deployment committee', under the leadership of Deputy President Jacob Zuma, was also responsible to select party faithful for top government, parastatal, party and Mayoral positions (Gumede, 2008: 105, 149-161, 175-176, 180). Recently, as indicated, Mbeki's 'deployment committee' 'recalled' *him* as President of South Africa, and that, in the wake of this event, Ministers and government officials were warned not to resign, but wait for their redeployment by the party (*The Independent*, 10 August 2008: 3).

In 2002, his restructuring of The Presidency brought in more than 300 officials to his office. The restructured Presidency comprised of four components, the Office of the President, the Deputy President (Jacob Zuma), the Minister in the Presidency (Essop Pahad) and a Director-General, Frank Chikane who drafted the policy document on a restructured Presidency (Chikane, 2001: internet). Chikane was also the Cabinet Secretary, whose role was expanded to that of a Secretariat, or 'super cabinet' (Gumede, 2008: 163).

In his assessment of Mbeki's leadership, Butler (2000: 200-201) maintains that Mbeki 'has taken a zero-sum approach to power', by regarding 'alternative sites of capacity as competitors rather than as potential resources'. Butler cites Mbeki's neutralization of government departments, interest groups, party factions and provincial administrations, as well as his centralization of powers and functions in The Presidency as indicative of this.

Growth or developmental coalitions are characterised and sustained by their focus and purpose (a specific policy agenda), their duration (for a specific time) and by the specific actors (elites), and shared interests. As 'constellations of interests' (Scott in Savage & Williams, 2008: 12), these coalitions can either cause or terminate conflict (Mbugua, 2008: 3-9). Typically, coalitions cut across various sectors and institutions, and should survive despite changes in their leadership. Another characteristic is that a coalition should be able to mobilise external resources to achieve its policy agenda (Moffett & Freund, 2004: 152). Prior to the dismantling of apartheid, a robust – yet threatened - civil society operated in South Africa. Since 1994, civil society has weakened considerably as some thought with the achievement of democracy their *raison d'être* ceased to exist. However, business organisations remain a particular robust actor. For business, political stability and the termination of sanctions were urgent matters. Moreover, business wanted assurances that no nationalisation would occur. Business elites also made it their business to influence the ANC's economic policy.

The ANC (2008: internet) acknowledges the role of non-state actors in achieving developmental objectives:

"Accelerating growth and transforming the economy require a democratic developmental state that is able to lead in the definition of a national economic agenda, and mobilise society and direct resources towards achieving this agenda. The transformation of the economy to serve the interests of all our people requires of the ANC that we mobilise all sectors of society - communities, civil society, labour and business, in particular - behind a national agenda for accelerated and shared growth. The ANC, as a movement, cannot be a bystander. It needs to rally society behind this all-important effort".

Examples of such formal and informal government-business developmental coalitions include the Accelerated and Shared Growth Initiative (AsgiSA) and Joint Initiative for Priority Skills Acquisition (JIPSA). Both AsgiSA and JIPSA were launched in 2006 'after extensive consultations within the Alliance and with our social partners' (Mbeki, 2007: internet). Here, the government was extremely careful not to alienate members of the TA. At its launch, the then Deputy President of South Africa stated:

"...[G]overnment consulted with a range of stakeholders. The AsgiSA Task Force led by the Deputy President included the Ministers of Finance; Trade and Industry; and Public Enterprises; the Premiers of Gauteng and Eastern Cape provinces; and the Mayor of Johannesburg who represented the South African Local Government Association. Many other ministers and their departments were included in the discussions, as were organised business and labour, religious leaders, youth, and women in various groupings and forums. Government also consulted with domestic and international experts. Consultation and discussion will continue as AsgiSA is implemented. These interactions have convinced government that South Africa is ready for AsgiSA to be a national shared growth initiative, rather than merely a 'government programme'" (Republic of South Africa, 2008: internet).

Another feature of the development pact is the strong focus on training, skills development and education. Since 2005, government adopted a National Skills Development Strategy, established Sector Education and Training Authorities (SETAs), the National Skills Fund; the introduction of the second stage of the National Skills Development Strategy; in the recapitalisation of the Further Education and Training (FET) Colleges; and increased the financial support for poorer students (ANC, 2007b: internet). A mass literacy campaign, *Kha Ri Gude* (let us learn), accompanies these efforts (Mbeki, 2008: internet). In early 2008, Mbeki (2008: internet) announced the government's Apex Priorities with a 'deliberate focus on matters of skills development' by 'working together with business and labour'.

Reaching a development pact or achieving a developmental state is alluring but elusive. The then Minister of Trade and Industry, Alex Erwin, confirmed this in 2008. See Box 6.

### Box 6: Constructing a developmental state in South Africa

The first challenge that the developmental state has to meet is to set the strategic parameters for the accumulation process within the national economy. A strong public sector, effective state-owned enterprises, strategic investment initiatives, support for small, medium and micro-enterprises, and an investor-friendly regulatory environment are key dimensions of this coordinated and comprehensive programme. The state has to be capable of directly controlling vast resources and applying them to strategic tasks.

The second is to ensure that our economy and society remains close to the leading edge in the global development of knowledge and technology and more important that we are able to apply this within our economy and to the full benefit of all of our citizens.

Thirdly, the state has to be composed of efficient and stable institutions that are capable of monitoring, evaluating and effectively implementing complex policy programmes and ensuring that they impact positively across the economy and society. This requires high levels of skill and organisational capacity to be located within the public sector. However, it is also vital that the state facilitates and supports the existence of civil society organisations that can assist with many programmes and create capacity to engage on complex policy and implementation issues.

Strong unions and strong business organisations are essential.

In the fourth place, major reforms of the labour market have to be addressed to ensure that workers are the builders of the developmental process and not its continual victims.

Fifthly, the state must be capable of establishing institutions and processes that prevent the inevitable effects of dynamic change from unfairly falling on those least able to adjust to them. A comprehensive system of support has to be built. Again the state has to have massive resources to undertake this task without adversely affecting other dimensions of the economy and society.

Finally the state must be capable of ensuring that democracy is consolidated, corruption is eliminated and that citizens are secure and the society is stable in its tolerance of diversity'.

Source: Erwin (2008: internet)

# 06

## Chapter Six: Conclusions

This paper traced South Africa's journey from apartheid to democracy. Essentially, the political history of South Africa since the mid 1980's is story of an elite transition and the coalitions that realised the double transition: the shift to democracy and the rebuilding of the economy. South Africa's transition highlights the critical role played by elites and coalitions - some formal, some informal - in managing such immense political transitions and economic transformations.

Without these essentially political processes and pacts, little would have been achieved to end apartheid and undo its legacies. Transitions of this complexity stand or fall on the extent to which comprehensive agreements can be reached and maintained between often very different leaderships and elites with different interests, ideas and resources at their disposal. The absence of such consensus, and the formal and informal coalitions that are needed to sustain it, can spell the collapse and disintegration of a state, democracy and economy – as the tragic recent history of Zimbabwe so grimly illustrates.

Though much of the intense poverty and inequality inherited in 1990 still remains, there are now signs that the shifting political coalition around and in the ANC wishes to address this more directly, as the balance of power and personnel of the leadership changes. But if it is to happen it will only happen where 'coalition adjustment' occurs. This remains an open question.

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