

The South African Economic Reconstruction and Recovery Plan as a response to the South African economic crisis

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Abstract

The impact of the current Covid-19 pandemic on the economy presents an opportunity for an economic reset in South Africa. The economic reset will provide a chance for structural transformation that will underpin economic growth and sustainable development. The Covid-19 pandemic has entrenched and exposed South Africa's inequality. Unemployment is at an all-time high and over half of South Africans, the majority which is African live in extreme poverty. This inequality has created a conducive environment for the recent instabilities that led to mass looting and property destruction. In response to the economic crisis and the Covid-19 pandemic, the South African government adopted the *South African Economic Reconstruction and Recovery Plan* to reconstruct and reset the economy. However, the *South African Economic Reconstruction and Recovery Plan* do not present an opportunity for the economic reset but it's a perpetuation of neoliberalism. Therefore, the call "to build a new, inclusive economy that benefits all South Africans" is nothing but buzzwords without any meaning. The plan mimics rhetorical calls for job creation and industrialization made by previous policies i.e. *National Development Plan* (NDP) and *New Growth Path* (NGP) without any operational plan and a new course of action. In addition, the plan is intended for South Africa to move towards the target set in the NDP, vision 2030. This paper analyses the *South African Economic Reconstruction and Recovery Plan* as a response to the economic crisis. Through the analysis, the paper will illustrate how is the plan neoliberal. In conclusion, the paper demonstrates how some developmental states were able to address challenges such as poverty and unemployment.

Keywords: Buzzwords, developmental state, neoliberalism, and structural transformation.

Introduction

"Never let a good crisis go to waste" (Churchill, n.d.). Winston Churchill (1874-1965), the then Prime Minister of the United Kingdom (UK) was referring to the Second World War which presented an opportunity for an alliance between the United States of America (USA), Britain, and the Soviet Union against the Nazi aggression and this led to the formation of the United Nations (UN). Moreover, the economic crisis that followed the Second World War led to the adoption of Keynesian Economic policies by European countries in the Post-World War Two in which the state played a key role in the economy. Similarly, the Covid-19 pandemic crisis presents an opportunity for economic reset especially in South Africa, where structural problems such as poverty, inequality, and unemployment continue to run amok.

The economic reset is warranted in South Africa given the continued apartheid legacy and the status quo. The unemployment rate in South Africa rose by 0.5 of a percentage point from 34.4 percent in the second quarter of 2021 to 34.9 percent in the third quarter of 2021 and subsequently, the expanded unemployment rate increased by 2.2 percentage points to 46.6 percent over the same period (Statistics South Africa (Stats SA), 2021; Naidoo, 2021). As a result, South Africa's unemployment rate is the highest in the world. The highest unemployment rate has entrenched inequality and poverty which mostly affect the majority of African and female-headed households. The Covid-19 pandemic has undermined the fight against poverty and also entrenched and exposed South Africa's inequality.

Nevertheless, the South African economy was in a crisis way before the pandemic. The South African economy was in recession months before the outbreak of the global pandemic. In response to the economic crisis and the Covid-19 pandemic, the South African government adopted the *South African Economic Reconstruction and Recovery Plan* in October 2020. The recently adopted Plan is seen as another attempt by the African National Congress (ANC) government in addressing the structural problems and job creation. However, the article argues that this is not the right response that South Africa needs. The *South African Economic Reconstruction and Recovery Plan* is similar to its predecessors such as *Growth, Employment and Redistribution strategy* (GEAR), *Accelerated and Shared Growth Initiative of South Africa* (ASGISA), *New Growth Path* (NGP), and *National Development Plan* (NDP) which have failed to address the structural problems and entrenched neoliberalism. South Africa needs to break with neoliberalism that has been pursued by the ANC government since 1994 to address structural problems such as poverty, inequality, and unemployment. The following section is a brief history of South Africa's post-apartheid political-economic policies.

A brief history of post-apartheid political-economic policies

To understand the status quo a brief historical analysis of post-apartheid political-economic policies is warranted. To have a better grasp of the post-apartheid political economic-policies, it is imperative to judge the policies and programmes by their results, not their intention.

The post-apartheid economic policies have entrenched neoliberalism in South Africa. Accordingly, it is important to define the neo-liberalism concept. Neoliberalism has its roots in Adam Smith's free-market school of economics (Narsiah, 2002, p. 3). According to Harvey (2005, p. 71), neoliberalism is a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade. In South Africa, this meant the government had to adhere to the free market principles such as fiscal austerity, deregulation, and privatisation (Bond, 2000, p. 1; Narsiah, 2002, p. 3).

In South Africa, neoliberalism can be traced to the National Party (NP) government in the 1980s with the adoption of the *White Paper on Privatisation and Deregulation in the Republic of South Africa* (Hentz, 2000, p. 203). The NP government under pressure from International Financial Institutions (IFIs) and Mineral-Energy Complex (MEC) adopted through the President's Economic Advisory Council a neoliberal, supply-side approach, emphasising a smaller role for the public sector, a greater reliance on market forces, and greater scope for the private sector (Mohr, 2010, p. 20). Accordingly, this led to the privatisation of ISCOR in 1989 and National Sorghum in 1991 (Hentz, 2000, p. 203).

In 1993 the NP government published a policy document for post-apartheid called *the Restructuring of the South African Economy: A Normative Model Approach*. The *Normative Economic Model* (NEM) as it was known had a similar thrust to the earlier White Paper that was formulated by the Economic Advisory Council (Mohr, 2010, p. 22). The economic model was advocating for the minimal state in the economy and it contained all the basic elements of the *Structural Adjustment Programmes* (SAP) advocated and sponsored by the International Monetary Fund (IMF) and World Bank (Hentz, 2000, p. 213; Mohr, 2010, p. 22). Due to opposition from ANC and its alliance partners, Congress of South African Trade Unions (COSATU), and South Africa Communist Party (SACP) the NEM was never adopted officially.

As illustrated above the NP government adopted free-market policies of deregulation, privatisation, and non-intervention in the 1980s. The ANC fully embraced neoliberal orthodoxy after coming to power in 1994 and adopted macro-economic policies that rapidly led to the containment of fiscal deficit, advocated for single-digit inflation, and lower interest rates (Jones, 2002, p. 20; Hentz, 2000,

p. 204). This embracing of neoliberalism by the ANC is the result of the compromise that was made during the 1980s and 1990s negotiations. The compromise was based on two things, the failure of either party (ANC and NP) to claim victory over the other and the class interests of the ANC leadership. Many ANC leaders were co-opted to the neoliberal economy in the post-apartheid epoch through the Black Economic Empowerment (BEE). Therefore, the negotiations to end apartheid were in the event premised upon the achievement of political equality whilst leaving the structure and functioning of the economy intact (Ashman et al., 2011, p. 182).

According to Williams and Taylor (2010, p. 22), the neoliberal influence was evident in the ANC pronouncements, such as the 1990 *Discussion Document on Economic Policy*, the 1992 draft policy guidelines, and both the 1994 *Reconstruction and Development Programme* (RDP) and the 1996 GEAR strategy. In these ANC policies that emerged in 1992 and 1993, the influence of the World Bank was apparent (Narsiah, 2002, p.4).

According to Terreblanche (2012, p. 64), the ANC through Transitional Executive Council (TEC) firstly agreed to neoliberalism as conditions to the United States Dollars (hereafter USD) 850 million International Monetary Fund (IMF) loan which was the GEAR policy of 1996 in embryo form. As a result, the ANC changed its economic policies throughout the transition period (Marais, 2011). However, under pressure from COSATU, the ANC government adopted RDP. RDP was declared to derive from the *Freedom Charter* and called for the provision of the free health care system, free education, housing, and electrification. Nevertheless, the *RDP White Paper* was revised many times to accommodate business and IFIs, it omitted any reference to nationalisation and indicated a firmer commitment to fiscal and monetary discipline (Jeffery, 2010, p. 240). Accordingly, the objectives of RDP were compatible with privatisation and liberalisation (Marais, 2001, p. 237).

In 1996 RDP was replaced by GEAR, a more market-friendly political-economic policy that was formulated with the help of IFIs. When GEAR was adopted the Rand was depreciating and foreign exchange reserves were at an extremely low level (Heintz, 2002). This explains the non-negotiable stance that the ANC leadership had when it launched GEAR. As per Habib and Taylor (2007, p. 265), GEAR had a striking resemblance to the NEM that was advocated by the NP government in 1993.

GEAR advocated for job creation, to achieve annual economic growth of 6 percent by the year 2000, boost exports by an average of 8.4 percent per annum and improve social infrastructure (Marais, 2011, p. 113). However, GEAR led to capital flight due to liberalising financial controls, privatisation, and liberalising trade. Through GEAR, the ANC government was cutting tariffs more deeply than required by the World Trade Organisation (WTO) (Carmody, 2002, p. 258). According to Bond (2000, p. 47), the tariffs were reduced by 36 percent which affected various sectors and led to thousands of jobs being shed. Moreover, GEAR had social devastation, as levels of inequality and poverty increased which was accompanied by unemployment despite economic growth (Habib, 2013:81). To many commentators, GEAR was a home-grown SAP.

GEAR was followed by another trickle-down economic policy – ASGISA. The government introduced ASGISA as a new developmental strategy in 2005 that advocated to halve poverty and unemployment and bridge the gap between the first and second economies, intending to eliminate the second economy (Jeffrey, 2010, p. 255). Similar to its predecessor, ASGISA advocated for 6 percent economic growth from 2010 onwards (Burger, 2018, p. 40). However, ASGISA perpetuated state withdrawal from the economy, privatisation, and trade liberalisation. As a result, poverty and unemployment worsened under ASGISA, the unemployment rate increased among Africans from 25,8 percent in 2007 to 27,0 percent in 2008 (Mosala, 2016, p. 97; Stats SA, 2008). By the end of 2009 and before the introduction of NGP, the unemployment rate had increased to 28,6 percent among Africans (Stats SA, 2009). The programme was replaced with NGP in 2010.

The NGP called for restructuring the economy and changing the structure of production and ownership through realigning the economy (exports and imports), balancing production for the domestic market, and diversifying industrialisation (Turok, 2015, p. 125). It wanted to break the country's dependence on exporting commodities and rather produce goods (Turok, 2015, p. 125). However, the NGP was short-lived and was replaced by the NDP in 2012.

The NDP is a macro-economic policy that seeks to run until 2030. It aims to create 11 million jobs, eliminate poverty and reduce inequality from 0.69 Gini Coefficient to 0.6 by 2030 (NPC, 2012). Nevertheless, similar to its predecessors, it is premised on neoliberalism. It continued to call for the minimalist role of the state and for labour deregulation despite the declaration to create a developmental state. Its land reform is still rooted in the willing buyer, willing seller model (Mosala, 2016, p.100). According to Jim (2013), the NDP reinforces dependence on raw material exports and has no plan to support industrialisation and manufacturing. To Terreblanche (2012:122) the NDP is a carefully crafted ideological propaganda document that is meant to lull the general public and especially the impoverished majority, into contentment until 2030.

Other policies such as the *Broad-Based Black Economic Empowerment (B-BBEE) Act, Act 53 of 2003*, and *Mineral and Petroleum Resources Development Act (MPRDA), Act 28 of 2002* advocated for co-optation of the comprador bourgeoisies to the economy without addressing the structural problems. According to Mbeki (2009, p. 78), BEE was meant to preserve and perpetuate the exploitative system under the post-apartheid government. As a result, mining companies continue to exploit the country's natural resources, leaving behind only a trail of environmental hazards (Mbeki & Mbeki, 2016, p. 2). In addition, policies such as B-BBEE and MPRDA attributed to growing inequality especially amongst blacks, and rampant corruption.

The aforementioned illustrate decades of free-market policies advocating for minimal state intervention (Khambule, 2021, p. 1). As a result, despite these economic policies and legislations that were meant to address structural problems in South Africa, the country is still faced with devastating unemployment and poverty. The adoption of neoliberalism by the ANC government has economic, political, and constitutional implications. First and foremost, the neoliberal policies have deepened and perpetuated socio-economic inequalities along racial lines in post-apartheid South Africa and increased concentration of wealth in the hands of the privileged few (Mfete, 2020, p. 270; Williams and Taylor, 2010, p. 37). Moreover, the implementation of neoliberal economic policies has meant disaster for the vast majority of South Africa's poor, increasing unemployment through deindustrialisation (Habib, 2003, p. 236). Secondly, the increasing inequality gap has the potential to undermine our democracy as illustrated in the recent riots.

As demonstrated above, these neoliberal economic policies have made little progress in solving South Africa's economic problems (Schneider, 2003, p. 23). This is evident that structural transformation and economic diversification never took place in the post-apartheid epoch. Neoliberalism in South Africa was home grown but did not begin with GEAR as demonstrated above, it was adopted in the late 1980s by the NP government and led to the privatisation of ISCOR in 1989 (Cornell, 2011, p. 10). The ANC government perpetuated neoliberalism in the post-apartheid era which led to financialisation, capital flights, and entrenchment of structural problems. Mohammed (2010) attributed the economic crisis illustrated below to neoliberal policies which resulted in internationalisation, financialisation, and deindustrialisation. The discussion above put the South African status quo, explained below into perspective.

The South African status quo

It is imperative to understand that before the global outbreak of Covid-19 the South African economy was already in a crisis. The economy was in a recession and the rate of unemployment was at its highest level in over a decade (RSA, 2020a). This combined with growing public sector debt, constant power cuts, and a downgrade to junk status in March 2020 was detrimental to the country's economy (Shiplana, 2021). Accordingly, Covid-19 hit South Africa on the back of a technical recession and debt crisis.

The Covid-19 pandemic has entrenched and exposed South Africa's inequality. Over two million jobs have been shed during 2020 (Stats SA, 2020). This has undermined the fight against poverty and led to an increase in the official unemployment rate at 34.6 percent in the third quarter of 2021 and an expanded unemployment rate stands at 46.6 percent (Stats SA, 2021). Moreover, the youth unemployment rate stands at 46 percent between the ages of 15-34 (Stats SA, 2021). Consequently, this has exacerbated inequality and poverty rates in South Africa.

According to the World Bank (2020), 55.5 percent (30.3 million) of South Africans are living in poverty at the national upper poverty line, ZAR 992, while a total of 25 percent (13.8 million) are experiencing food poverty. African and female-headed households are mostly affected by poverty. Inequality has been growing since 1994 and extreme poverty was expected to increase by 9 percent in South Africa by 2020 (World Bank, 2020). This is evident that the ANC government is failing in its developmental task. As a result, over 18 million South Africans are dependent on social grants for survival (Statista, 2021). The number has increased because of the Covid-19 pandemic with 61 percent of South Africa's population receiving some form of grants (Bhorat & Kohler, 2020). Over 6 million people had applied for the Covid-19 Social Relief of Distress Grant in the previous opening cycle (Letsatsi, 2021). According to Mosala (2016, p. 106), this illustrates the failure of the ANC government to address the structural problems in the economy and attempts to contain popular discontent.

As a result of neoliberalism, South Africa is over reliant on Foreign Direct Investment (FDI) which has undermined economic growth. Despite policies adopted to attract foreign investment, FDI inflow to South Africa remains modest. Accordingly, Egypt and Nigeria have surpassed South Africa as a major FDI destination in Africa (United Nations Conference on Trade and Development (UNCTAD), 2019, p. 42). According to the former finance minister, Tito Mboweni (2021), South Africa's real Gross Domestic Product (GDP) stopped growing 14 years ago. Moreover, he added that South Africa's decline reflects low economic growth combined with relatively fast population growth. This explains the 2019 and 2020 recession which saw GDP falling by just over 16.4 percent (Stats SA, 2020).

The rampant corruption in South Africa also hinders new investments and service delivery (Jumanne & Keong, 2018, p. 16; Campos et al., 2010). Billions have been lost to Personal Protective Equipment (PPE) corruption during the Covid-19 pandemic. This followed the State Capture which its extent was exposed during the Zondo Commission. Due to State Capture, State-Owned Enterprises (SOEs) such as Eskom, Transnet, South African Airways (SAA), PetroSA, and Denel among many were looted out of billions of Rands and left dysfunctional. The local governments are the worst hit by corruption. According to Corruption Watch (2021), corruption in municipalities entails bribery, inflating prices, procurement and employment irregularities, and embezzlement of funds. Most of the corruption happens within the office of the municipal manager, representing 34 percent of all reports received which demonstrate a leadership crisis at the local government (Corruption Watch, 2021). For instance, JB Marks Local Municipality purchased PPE items at inflated prices and spent ZAR 47 million in the space of 3 months (North West Provincial Treasury, 2020). The municipality purchased 5 litre sanitiser bottle at ZAR 720, exceeding the National Treasury's stipulated market-related price of ZAR 327,27 per 5 litres (Auditor-General, 2021). In addition, out of 257 municipalities, only 21

municipalities achieved clean audit in 2020, more than ZAR 1 billion spent on consultants and over ZAR 32 billion in irregular expenditure (Makwetu, 2020).

In addition, the recent riots that were accompanied by property destruction and looting which have cost the South African economy USD 3.4 billion will contribute to unemployment, capital flight, and investment strike. According to Business Tech (2021), several foreigners are pulling their money out of South Africa. This demonstrates the need for structural transformation to address structural problems.

The status quo illustrates the failure of the post-apartheid neoliberal policies in addressing structural problems. As argued above this crisis can also be attributed to neoliberalism that has been perpetuated since 1994 by the ANC government. In response to this crisis, the ANC government adopted *South African Economic Reconstruction and Recovery Plan*. However, the question remains, whether this is the right response by the post-apartheid government in addressing the structural problems that were worsened by the Covid-19 pandemic. Whether this response will lead to the required results. In attempting to find answers to the aforementioned questions the following sections analyse the *South African Economic Reconstruction and Recovery Plan*.

The objectives of the South African Economic Reconstruction and Recovery Plan

In response to the economic crisis and the Covid-19 pandemic, the current administration has declared the creation of a “new economy”. According to the RSA (2020b), to the 6th administration, the Covid-19 crisis presents an opportunity to address long-term structural deficiencies in the South African economy and place the economy on the new path to growth and job creation. To achieve this, the administration has adopted the *South African Economic Reconstruction and Recovery Plan* which advocated for infrastructure development, energy security, industrialisation, and employment stimulus (RSA, 2020a). The plan does not seek to return to the pre-Covid-19 economic realities but to build a new economy for the future – an inclusive economy that benefits all South Africans. As per President Ramaphosa (2020), this will result in the transformation of social and economic relations in South Africa.

The *South African Economic Reconstruction and Recovery Plan* is aimed at stimulating equitable and inclusive growth. The plan has three phases: Engage and preserve – which includes a comprehensive health response to save lives and curb the spread of the pandemic; recovery and reform – which includes interventions to restore the economy while controlling the health risks; and lastly, reconstruct and transformation – which entails building a sustainable, resilient and inclusive economy (RSA, 2020a). These three phases will require the following priority interventions: Aggressive infrastructure investment; employment orientated strategic localization, reindustrialization and export promotion; energy security; support for tourism recovery and growth; gender equality and economic inclusion of women and youth; green economy interventions; mass public employment interventions; strengthening food security; and macro-economic interventions.

To ensure that those interventions and subsequently, the successful implementation of the *South African Economic Reconstruction and Recovery Plan*, there are key enablers. As a result, the following key enablers will be put in place: Resource mobilization, regulatory changes; a supportive policy environment and enabling conditions for ease of doing business; building a capable state; social compacting; skills development; as well as economic diplomacy and further integration into the African continent (RSA, 2020b). These will result in the following structural reforms: Modernizing and reforming network industries and associated state-owned enterprises; re-orienting trade policies and pursuing greater regional integration to boost exports, employment, and innovation; lowering barriers to entry to make it easier for businesses to start, grow, and compete; supporting

labour-intensive sectors such as tourism and agriculture to receive more inclusive growth; creating greater levels of economic inclusion, including through addressing high levels of economic concentration; addressing the weak job-creating capacity of the economy; boosting education and skills development; promoting greater beneficiation of raw materials; and addressing racial, gender and geographical inequalities which hamper deeper economic growth and development (RSA, 2020b). With these structural reforms, the plan seeks to place the economy on track towards the path of vision 2030. However, it remains to be seen if this plan would achieve the desired results and whether the plan is what is needed to address the economic crisis. The section below analyses the plan to determine if this is the right response by the 6th administration to the economic crisis.

The analysis of the South African Economic Reconstruction and Recovery Plan

The aforementioned objectives would require the structural transformation of the South African economy. Since the plan advocates for stimulating equitable and inclusive growth, it cannot continue to be business as usual. To build a new and inclusive economy that benefits all South Africans, the plan has called for a capable and developmental state. As per the plan, a capable and developmental state is an important enabling factor without which this plan will not achieve the determination to revive the economy.

As per the document, *“the successful implementation of the plan depends on a capable, developmental state with the capacity to plan and to implement in a coherent and integrate manner across the three spheres of the government and subsequently, revive the economy”*. Despite this call, the plan does not give any indication of the role of the state in the economy. The call for state intervention by the plan as demonstrated above is paradoxical. On the one hand, the plan calls for state intervention in the economy through a developmental state. However, without addressing the public procurement issues, corruption, and rent-seeking behaviour, the state intervention within the economy will remain parasitic and not developmental. In this case, the state intervention is not meant to address market failures such as poverty, unemployment, and inequality but to enrich the few and subsequently, hide citizens' discontent. On the other hand, the state has perpetuated privatisation of SAA and Eskom which is described as unbundling. Furthermore, the call for sectoral intervention as per the document is limited to creating a conducive environment for businesses not to address market failures.

The role of the SOEs in economic reconstruction and recovery is not clearly explained. The SOEs can play a developmental role in the South African economy. According to Turok (2015), institutions such as Industrial Development Corporation (IDC) played a role in the establishment of big SOEs such as Iscor and Eskom. However, the plan has mentioned little of the SOEs, despite their continued looting and dysfunction. SOEs such as Transnet and Denel can play a big part in manufacturing, skills development, and infrastructure development. The SOEs are not the only institutions subjected to looting, all the three spheres have lost billions due to corruption which has worsened with the pandemic. This does not only undermine the call for a capable and developmental state but it negatively affects service delivery, development and weakens state institutions. According to Chibber (2002, p. 956), states can foster development if their functionaries' goals are shaped by the duties of their station, rather than by a calculus of personal gain. The state is further weakened by patronage and clientelism which is perpetuated through cadre deployment.

The plan has made bold declarations regarding industrialisation and manufacturing through localisation, economic growth at the rate of 5.4 percent, and job creation. However, these calls remain hollow unless they are backed by an operational plan and they improve the lives of the majority of Africans. Industrialisation through localization and beneficiation will require addressing trade liberalization. Trade liberalization as demonstrated above has perpetuated joblessness in South Africa through exporting of jobs by exporting unprocessed minerals. Cheap manufactured

products have undermined industrialization which was also accompanied by financialization and malls proliferation in the country. Value addition and beneficiation from the raw materials can only take place by minimizing exports of unprocessed minerals. For instance, ceasing exports of chromium ore (South Africa is a leading producer) to China will ensure South Africa returns to converting chrome into ferrochrome, an important ingredient in steel production. Nonetheless, the plan mentions nothing about addressing trade liberalization which has been the source of deindustrialisation and joblessness. Furthermore, the call for a green economic strategy embodies no concrete plan in case of any event of recurrent waves of the pandemic in South Africa (Ede & Jili, 2021, p. 63). The call for revitalising mining also illustrates the economy's reliance on mining and primary production.

The plan says nothing about land reform which is critical for alleviating poverty especially in rural areas and South African development. Successful land reform will be the foundation of development in South Africa. It will ensure an increase in agricultural production and job creation. According to Studwell (2013), land reform was critical to the development of north-east Asian countries such as Japan, South Korea, Vietnam, and China.

The *South African Economic Reconstruction and Recovery Plan* has made some bold declarations that are unlikely to be achieved. Its call on infrastructure investment and delivery is hard to believe because, since the start of lockdown, railway infrastructure has been vandalised and looted. Despite this, the plan calls for "*reversing delays in Metrorail modernisation including prioritizing the refurbishment of the Mabopane line in Tshwane and the Central line in Cape Town*". This was supposed to be addressed in the first six months of the plan, but the year has passed and nothing has happened. Moreover, the current looting and burning as a result of Free Zuma calls have also contributed to the vandalism of infrastructure in South Africa.

In addition, the plan has advocated for the creation of 3.6 million jobs in ten years but the constant lockdowns and power cuts will undermine this drive for job creation. The constant power cuts and expensive electricity have been identified as factors detrimental to economic growth. As a result, the plan advocates that the reforms will lead to lowering the prices of electricity. This is inconceivable, especially since the National Energy Regulator of South Africa (NERSA) has approved the 2021/22 average price increase of electricity in South Africa.

One of the reasons for joblessness is the lack of skills in South Africa and the plan has prioritised skills development. However, the Skills Education Training Authorities (SETAs) institutions are failing in their role to provide skills development since they are looted and politicised (Turok, 2015). This makes the people sceptical about the implementation of the plan and the seriousness of the comprador bourgeoisie in addressing the structural problems.

In responding to the high unemployment rate, the plan and the 6th administration have called for Public Employment Programmes through Presidential Employment Stimulus, Expanded Public Works Programme (EPWP), and Community Work Programme (CWP) (Mudiriza et al., 2021, p.23). However, these types of jobs are not sustainable, they failed to provide skills development and lift people out of poverty. Moreover, these programmes have been used as part of the patronage system by ANC leaders in different municipalities. In addition, the government under the Presidential Employment Stimulus had vowed to create over 400 000 jobs through various sectors in the first three months of the plan, however, as illustrated above unemployment rate has increased since the adoption of the plan. This illustrates the ANC's failure to create a conducive environment for job creation.

The call for support of tourism yet worsening of crime which can be attributed to defunding of crime prevention reduces such calls to rhetoric, nothing more. Crime has affected tourism badly, yet the police department's budget presented by Bheki Cele (2021) would see cuts to crime-

fighting programmes and an increase in the VIP protection budget. This is evident that the calls for structural transformation and reconstruction of the economy are nothing but buzzwords by the ANC government to lull the people while the neoliberal economy continues.

The call “to build a new, inclusive economy that benefits all South Africans” will require the abandoning of neoliberal capitalism. It has been demonstrated that under decades of neoliberalism, the economy has benefited the few and the gap between the rich and poor has increased. It is evident with the recent unemployment rate increase that neoliberalism does not address the racial socio-economic inequalities that exist, but, it indirectly perpetuates them (Mfete, 2020, p. 276). The call for economic growth as per the *South African Economic Reconstruction and Recovery Plan* is commendable, however, the heavy reliance on market forces to redress the legacies of apartheid is misguided and unsustainable in a society marked by extreme inequality and poverty (Cheru, 2001, p. 521). As a result, to achieve an inclusive economy, neoliberalism will no longer be realistic in the new system and there is a need for state intervention to increase opportunities for all and achieve an egalitarian society (Ede & Jili, 2021, p. 61). Accordingly, to achieve this new economy will require leadership and a government with a new mind-set and course of action.

Moreover, the *South African Economic Reconstruction and Recovery Plan* seek to move towards the targets set in the NDP, vision 2030. The NDP as demonstrated above is a neoliberal economic policy. The NDP is not rooted in the historic mission of the liberation struggle in South Africa and is anti-working class and ultimately not in the best interest of the vast majority of South Africans (Jim, 2013). The NDP leaves intact the existing patterns of ownership and control of the economy. It calls for a minimalist role by the state and labour market deregulation (Mosala, 2016:100). Furthermore, NDP emphasizes the service sector instead of manufacturing and tends to focus on consumption-led growth (Turok, 2015, p. 128). Therefore, it is unlikely that the plan will lead to the transformation and reconstruction of the economy.

As illustrated above, the *South African Economic Reconstruction and Recovery Plan* is premised on neoliberalism which might prove difficult to address the economic crisis and structural problems. It was earlier demonstrated that neoliberalism and growth that took place under neoliberal economic policies had reproduced problems such as racial inequality, unemployment, and poverty (Cronin, 2015). As a result, the majority of South Africans continue to suffer as structural problems continue.

Therefore, the calls made within the *South African Economic Reconstruction and Recovery Plan* are nothing but buzzwords to gain legitimacy and authority and lull the previously disadvantaged people, the majority of them who are poor. To the ANC, the speeches delivered in support of the reconstruction, recovery, and transformation are theatrical plays, grand gestures, and performative enactment of legitimacy and authority (Death, 2011, p.1). The ANC since 1994 has failed to champion the developmental agenda and this is evident in the increase of structural problems under the democratic government. The neoliberal economic policies adopted by the ANC have worsened the structural problems and thus, there is a need for a very different approach, grounded in local realities and eco-social needs (Ngwane & Bond, 2020, p. 69). Consequently, the prospects for economic recovery, stabilisation, and transformation with the *South African Economic Reconstruction and Recovery Plan* are very slim, as the plan perpetuates neoliberalism and subsequently structural problems.

Developmental state

The status quo warrants the state intervention in the economy to address market failure. The impact of the Covid-19 pandemic meant that the South African government had to play an intervention role to mitigate the social and economic effects of the pandemic. South Africa in response to

the pandemic adopted counter-cyclical fiscal and monetary policies (Khambule, 2021, p.1). These measures included wage support through the Unemployment Insurance Fund (UIF), supporting small businesses through grants, the release of disaster relief funds, and tax relief for businesses (The Presidency, 2020). However, these forced the government to borrow more which further weakened the country's fiscal position. In addition, the South African Reserve Bank (SARB) responded swiftly to protect price and financial stability (Shipalana, 2021). The SARB implemented a cumulative reduction in the repo rate, which was cut by 300 basis points and remained at 3.5 percent – the lowest in the history of South Africa and below zero in real terms (Shipalana, 2021). These measures were short of state intervention in the market to address structural problems and not enough for structural transformation. The government failed to use this opportunity to regulate the business sector, some companies continued with retrenchments despite receiving disaster relief funds and tax relief.

The need for a developmental state is evident in the shortcomings of the above-mentioned counter-cyclical fiscal and monetary measures. A capable and developmental state was critical for the development of East Asian countries such as South Korea, China, Taiwan, and Japan. This can be the case for South Africa, a capable and developmental state, not neoliberalism. In *Changing the colour of capital*, Ben Turok (2015) argues that South Africa needs a strong state-interventionist developmental state, which would include the following elements: 1) a mixed economy; 2) an interventionist state system; and 3) the role of the state as enabling, participatory, deliberative and policy projection. This would ensure much-needed industrialisation and structural transformation. According to Davies (2015, p.151), no country in history has gone from an underdeveloped to a developed economy without going through industrialisation, and this means the development of value-added production.

Developmental states have witnessed high economic growth in recent history i.e. Japan in the 1950s-80s; South Korea in the 1960s-90s; China since the 1980s and Brazil since 2000 (Burger, 2014, p.1). These developmental states have used land reform, protectionism, and investment regulation to industrialise and grow their economies. South Korea was able to subsidise and protect its manufacturing sector (e.g. Hyundai Motor Company and KIA Corporation) from premature competition from multinational corporations. As a result, since 1961 the per capita income grew 14 times, in purchasing power terms, making South Korea one of the wealthiest countries in the process. In the postwar period, Japan and South Korea's economies grew at the rate of 10 percent per year, thus outpacing Africa and Latin America economies (Wong, 2004, p. 349). South Korea which was at the same level of development as Ghana in the 1960s, has since surpassed Ghana (World Bank, 2000).

In South Africa, the creation of a genuinely capable and developmental state would require an overhaul of the current neoliberal state. The strengthening of institutions, especially the SOEs can play a critical role in a developmental state. This will require, first and foremost a separation between the party and state. The separation would ensure the depoliticizing of the state and the hiring of competent people. Secondly, cadre deployment in its current form will have to be scrapped. Cadre deployment has led to patronage system and undermining of institutions' integrity. Especially given the fact that cadre deployment, patronage, and corruption have been perpetuated in South Africa and consequently, they have undermined the process of creation of a capable and developmental state. Thirdly, the professionalism of the public sector is critical for the public servants to provide services to the citizens. Lastly, given that the comprador bourgeoisies have also undermined the developmental state through their implementation of neoliberalism, it will be imperative to have transformative leadership guided by thought liberation, thought leadership, and critical consciousness. These prerequisites are important since cadre deployment and corruption impinge the efficient functioning of the state. Most importantly, these prerequisites will assist in building

up the eroded confidence and morale of the investors and the citizens alike in the state. The *South African Economic Reconstruction and Recovery Plan* is not what is needed to get the country forward. The country needs a developmental state that will ensure addressing structural problems.

Conclusion

The *South African Economic Reconstruction and Recovery Plan* is premised on neoliberalism which has perpetuated the structural problems in post-apartheid South Africa. Given that neoliberal economic policies adopted by the ANC since 1994 have failed in addressing the structural problems and pushing for economic growth, it's unlikely that the *South African Economic Reconstruction and Recovery Plan* will lead to addressing the structural problems. Therefore, there is a need for a capable and developmental state for South Africa to come out of the economic crisis and build a new economy. The economic reset will require a new mind-set and a course of action from the leadership and the government.

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