The role of the state and the private sector in promoting inclusive growth in South Africa

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Background and Introduction

- The subject of the role of the state and the private sector has long been a topic of interest for many and still stands to be debated.

- Global economists and policymakers have been focusing on re-examining the role of the state in economic development.

- This paper explores the strides made by South African government towards realizing the national vision of an equal society with vast opportunities and free from poverty.
South African economy: An overview

- South Africa is classified as a middle income developing country confronted with several challenges such as high unemployment rate and inadequate economic growth. Unemployment recorded 24.3 percent and the annual GDP growth fell by 1.5 percent in 2014.

- South African economy is influenced by several factors which include, among others, the role of the demand side policy intervention by government, capital and human accumulation, monetary and fiscal policy, technological changes and the global economic environment.
SA economy: An overview Continues
Inclusive development in SA context

- During the pre-1994 era black South Africans were legally excluded from any political and economic participation.
- They were discriminated against in employment, skills development, in business ownership and control as well as in access to basic social and physical infrastructures.
- Thus the first democratic elections brought hope for equality, employment and opportunities.
Despite the significant means of the government to address the tremendous social challenges facing South Africa; poverty, unemployment and inequality still reigns.
Human Development Index (HDI)

- HDI is a summative measure of long-term progress in three dimensions of human development: a long and healthy life, access to knowledge and decent standards of living.
## Human Development Index (HDI)

<table>
<thead>
<tr>
<th>Year</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2005 PPP$)</th>
<th>HDI value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>56.9</td>
<td>11.1</td>
<td>4.8</td>
<td>8,399</td>
<td>0.570</td>
</tr>
<tr>
<td>1985</td>
<td>59.8</td>
<td>11.1</td>
<td>4.8</td>
<td>7,892</td>
<td>0.581</td>
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<tr>
<td>1990</td>
<td>61.5</td>
<td>11.4</td>
<td>6.5</td>
<td>7,671</td>
<td>0.621</td>
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<tr>
<td>1995</td>
<td>59.9</td>
<td>13.1</td>
<td>8.2</td>
<td>7,350</td>
<td>0.65</td>
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<tr>
<td>2000</td>
<td>54.8</td>
<td>13.1</td>
<td>8.2</td>
<td>7,462</td>
<td>0.622</td>
</tr>
<tr>
<td>2005</td>
<td>51.1</td>
<td>13.1</td>
<td>8.2</td>
<td>8,420</td>
<td>0.604</td>
</tr>
<tr>
<td>2010</td>
<td>52.2</td>
<td>13.1</td>
<td>8.5</td>
<td>9,307</td>
<td>0.621</td>
</tr>
<tr>
<td>2011</td>
<td>52.8</td>
<td>13.1</td>
<td>8.5</td>
<td>9,463</td>
<td>0.625</td>
</tr>
<tr>
<td>2012</td>
<td>53.4</td>
<td>13.1</td>
<td>8.5</td>
<td>9,594</td>
<td>0.629</td>
</tr>
</tbody>
</table>

Source: UNDP, 2013
The rate of unemployment is an important tool used to assess the maturity of a country’s labour system and performance of the economy in general.

SA’s unemployment problem has been persistent for years. The government has promised to half unemployment in 2004 already.
Inequality

- Even though it is almost impossible to identify with certainty which country is the most unequal, by international standards, South Africa is one of the most unequal countries in the world.

- One way to express the degree of inequality in a country is to examine the expenditure shares of households by decile. In South Africa, the poorest decile has levels of consumption below those of the poorest decile in most other countries.
There seems to be a particular trend between unemployment and inequality in South Africa. As shown in the figure below.

Source: Tregenna & Tsela, 2008
In pursuit of development South African democratic government has adopted various policies and SAP’s.

Initially, the farsighted macroeconomic policies coupled with political stability allowed the nation to witness positive growth.
SA quest for Inclusive growth Cont’

- RDP-
- GEAR-
- NGP-
- NDP-
Future path for inclusive development in SA

- The most recent macroeconomic policies are centered around the urge for industrialisation and trade promotion to curb unemployment and poverty and below are few examples:
  - SA Trade Policy & Strategy Framework (TPSF)
  - Industrial Policy Action Plan (IPAP)
  - Private Public Partnerships (PPP)
Lessons Learned from Chile and Brazil

- Brazil-

- Brazil and South Africa share similar development challenges. The most popularly known similar challenge is that of very unequal income distributions. Both countries have undergone major liberalisation of their economies and industrial restructuring in the past decade.

- Further, Brazil and South Africa are both endeavouring towards a progressive domestic economic path, while playing a distinctive role in the global economy. In terms of differences between the two countries one may single out that of apartheid in South Africa.
Lessons Learned from the Brazil and Chile cont’

- Chile-
  - South Africa and Chile were both under economic and political difficulties before beginning of democracy. In Chile, it was because of Pinochet’s dictatorship until 1990 while in South Africa, it was apartheid.
  - In both countries, the socioeconomic performances have significantly improved with the new democracy.
  - However, Chile appears to have taken a better approach compared to South Africa to be considered as the most successful country over time during the neo-liberal paradigm of the 1990s.
Recommendations

- The premise of this paper is a mixed system where the government can play a specific preparatory role in conjunction with the markets.
- In this regard more active policy enactment and monitoring is encouraged to ensure counterproductive behaviour by firms and even the state organs regarding prejudices and discrimination is heavily penalised.
Evidently, privatization at certain point becomes necessary to raise funds for the fiscus to enable the state to be able to perform its duties efficiently.

The IDC has a potential to play a highly significant role together with the dti as the key driver of South African industrialisation process. However, the role of the institution and its responsibilities needs to be reviewed and clearly defined.
Conclusion

- After decades of the first democratic elections in South Africa, majority of the population still lives in poverty.
- The state has adopted various SAPs to address the injustices of the past; however, seemingly the means of the government have not been adequate.
- Appropriate strategy to deal with high levels of unemployment, inequality and poverty has not yet been found. It is, however, alleged that the stance taken by the state to promote exports and industrialisation may be the solution to the country’s persistent challenges.
Thank You

Presentation
By
Siphosethu Tetani

Contact details: Stetani@thedti.gov.za